

**BUREAU OF  
BUSINESS  
AND ECONOMIC  
RESEARCH**

# Housing Affordability and Montana's Real Estate Market

*Prepared for*  
**Montana Association of REALTORS®**  
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Finally, we are most grateful to the Multiple Listing Services and builders that provided data for this report.

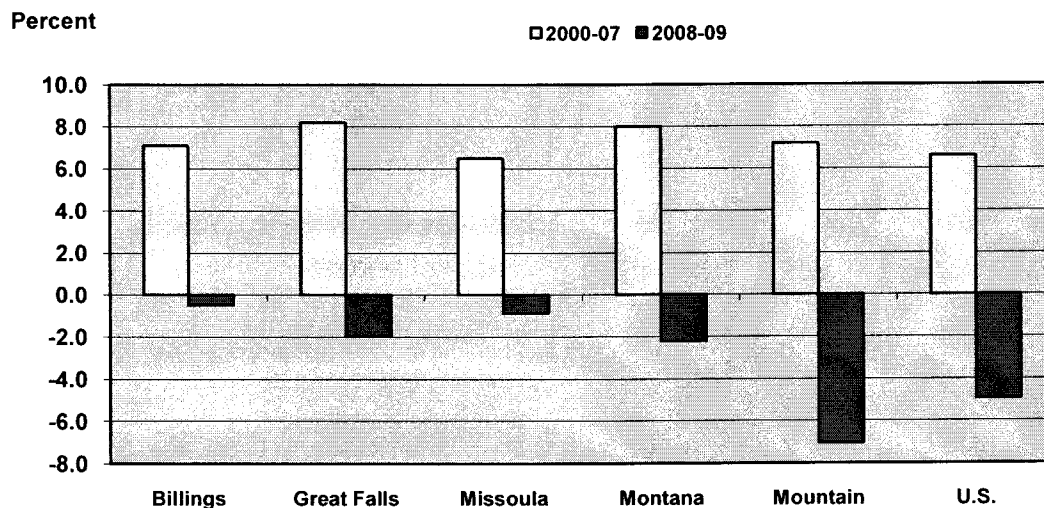
# Housing Affordability and Montana's Real Estate Markets

## Executive Summary

The Bureau of Business and Economic Research (BBER) at The University of Montana continues to work with the Montana Association of REALTORS® (MAR) to produce an annual assessment of housing affordability, and analyze the factors affecting the cost of housing in major real estate markets within Montana. This 2010 report comes at a critical time in the recovery of the economy in general, and in housing and construction markets in particular.

The national recession began as a major price correction in real estate markets, and after more than two years have elapsed, it is not clear that the correction has been completed. The abrupt change from an environment of historically rapid increases in home prices to one of falling prices has produced seismic changes in household net worth, foreclosures and residential loan performance, and residential construction. And as the figure below makes clear, the price corrections across the state of Montana have been almost as severe as the national average.

**Average Annual Growth in Home Prices, 2000-07 vs. 2008-09**



Source: Federal Housing Finance Agency.

Housing affordability is one of the few pieces of good news in an otherwise dismal housing economy. The softening and declines in housing prices, coupled with very low interest rates, have reduced the cost of housing significantly. However, the recession has also reduced incomes, which reduces the resourced households have to spend on housing. The net effect of these movements has nonetheless been a significant improvement in housing affordability in almost every major Montana real estate market.



## Executive Summary

### Primary Findings

The major housing price corrections have produced a meaningful improvement in housing affordability in most Montana real estate markets. However, the legacy of nearly 20 years of growth in housing prices exceeding income growth remains. As this report makes clear, there is considerable variability in the growth, composition, and affordability of housing across the state. But our primary finding of the 2009 study – that four of the eight major real estate markets had “unaffordable” housing as measured by the Department of Housing and Urban Development’s Housing Affordability Index – remains unchanged.

The improvement in affordability stands out as a piece of good news in an otherwise grim Montana real estate economy.

We find that:

- four markets in Montana remain with housing affordability indexes (HAI) – as defined by the National Association of Realtors – in the “unaffordable” range: Flathead, Gallatin, Missoula and Ravalli Counties. Our analysis shows that in these markets the median income household must devote more than 30 percent of their income towards housing for the median priced home.
- with the exception of Butte-Silver Bow, the major real estate markets all saw a significant improvement in affordability as measured by the HAI.
- significant pressure remains on renters, with 39 percent reporting that they spent more than 30 percent of their cash income on housing. In Missoula more than half of all renters spent more than 30 percent of their income on housing.
- regulatory fees, including building permit fees, impact fees, and subdivision fees, make a significant contribution to the cost of new housing in some Montana markets. Impact fees now exceed \$10,000 in Bozeman.
- the steep declines in residential building activity have continued in every major real estate market except Helena in 2009. In six of the eight markets analyzed, the declines in single family home permits exceeded 60 percent since 2007.
- sales of new and existing homes continued to decline in general in 2009, but the declines are much more modest than 2008. Missoula and Lewis & Clark counties managed tiny gains in sales.
- there have been steep declines in population net migration in Gallatin, Flathead and Ravalli counties in 2009, in line with a trend in sharply lower population mobility reflected in national data.
- after leveling off last year, housing prices have declined in every Montana market that is measured by the Federal Home Finance Agency’s housing price index. Of the state’s three metropolitan statistical areas, Missoula has seen the biggest swing in prices in 2009.

The findings of this report underscore the fact that while real estate markets in Montana are local, they are influenced by national trends. Even as the correction in housing arrives in full force in Montana markets, prices in some corners of the state place considerable burdens and pressures on their residents.

## Montana's Real Estate Markets

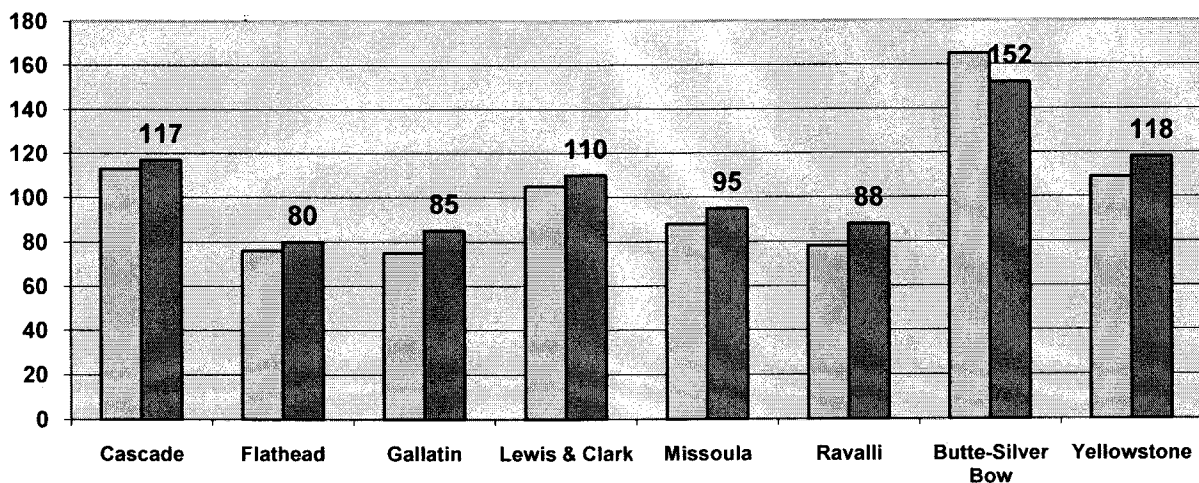
### Introduction

To say that the recession of 2008-09 has had impacts on housing markets would be an enormous understatement. It would be fairer to say that the economic downturn, which can trace its roots to the unprecedented and unsustainable increase in housing prices which preceded it, has turned the real estate and construction world upside down. Decade-long trends in home prices, new home construction activity, mortgage debt, rents, and home ownership have been interrupted and in many cases reversed. And there has been no definitive sign that these dramatic adjustments are completed.

Just a few years ago, the situation was quite different. The Montana economy was in the midst of a 4-year boom, the construction industry in most parts of the state was running very hot, and home values were appreciating rapidly. Between 1988 and 2007 the growth in Montana housing prices was nearly four times as large as the growth in per capita income. We reported last year that four western Montana housing markets, Flathead, Gallatin, Missoula and Ravalli Counties, were considered unaffordable for median earning households, according to the standards of the U.S. Department of Housing and Urban Development.

In those years, housing affordability was the dark cloud in an otherwise booming economic environment. Now the situation is almost exactly the reverse. Housing affordability is one of the few pieces of good news in an otherwise dismal housing economy. The same four western Montana housing markets still fail to meet the HUD affordability standard – but each has moved closer to the affordability threshold as median home prices have fallen faster than income.

**Figure 1**  
**Housing Affordability Index in Montana's Major Real Estate Markets, 2007 & 2008**



Source: Bureau of Business and Economic Research.

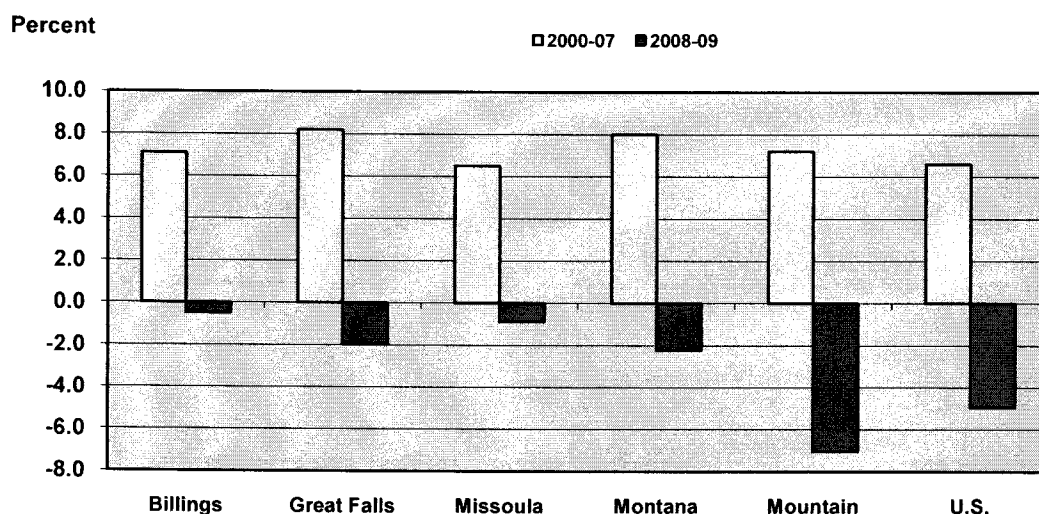
The Housing Affordability Index (HAI) measures the ability of a household with median earnings to purchase a median-priced house. Specifically, the index represents the percentage of the monthly payment on a median-priced home that the median earning household can make without exceeding 30

## Montana's Real Estate Market

percent of income. The latter is the HUD threshold for housing stress on household finances. An index value of 100 means that housing is affordable. HAI values less than 100 – which mean that households must devote more than 30 percent of their income to make their payments – fail the affordability test by this measure.

As shown in Figure 1, all but one Montana market saw an increase in affordability as measured by the HAI. (The income data used in creating the index are only available through year 2008). The one market with a fall in its affordability, Butte – Silver Bow, was already the most affordable market in the state, easily passing the HUD affordability threshold.

**Figure 2**  
**Average Annual Growth in Home Prices, 2000-07 vs. 2008-09**



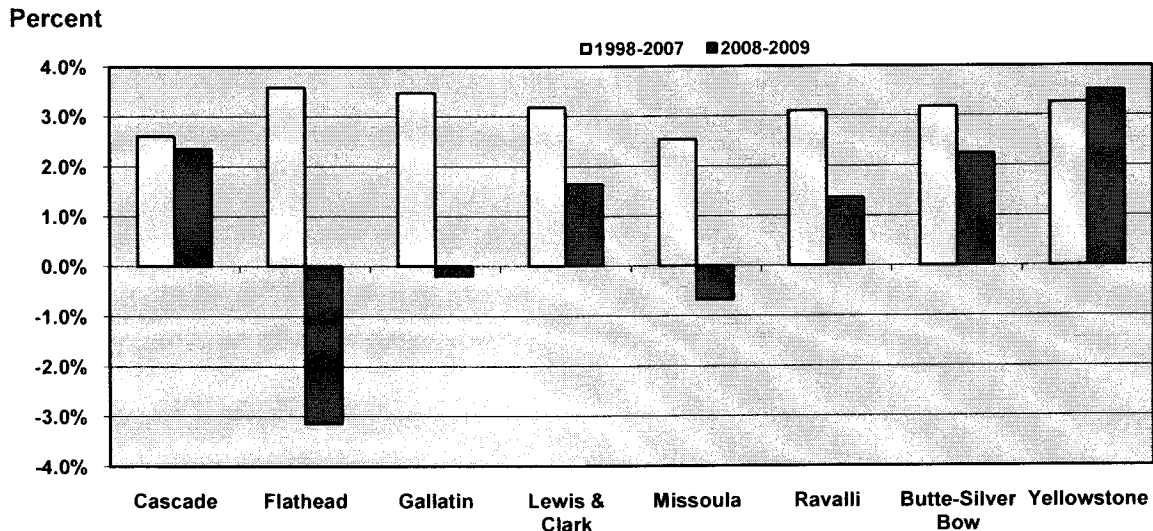
Source: Federal Housing Finance Agency.

### Affordability and the Recession

The relatively modest changes in the home affordability index hide the more significant changes in prices and income trends that underlie it. For most of the last decade, home prices grew at an average annual rate of 8 percent across Montana, as shown in Figure 2. But in the last 2 years the trend has abruptly reversed, with home values declining by more than 2 percent each year. Clearly these changes feed into the HAI, tending to increase affordability.

But that dramatic change has been at least partially offset by declines in income due to the recession. In almost every large housing market in the state, the trend of rising per capita income during the boom years has come to a halt. In the case of some counties, including Flathead and Gallatin, there have even been sharp reductions in income per capita. These changes tend to decrease affordability as measured by the HAI.

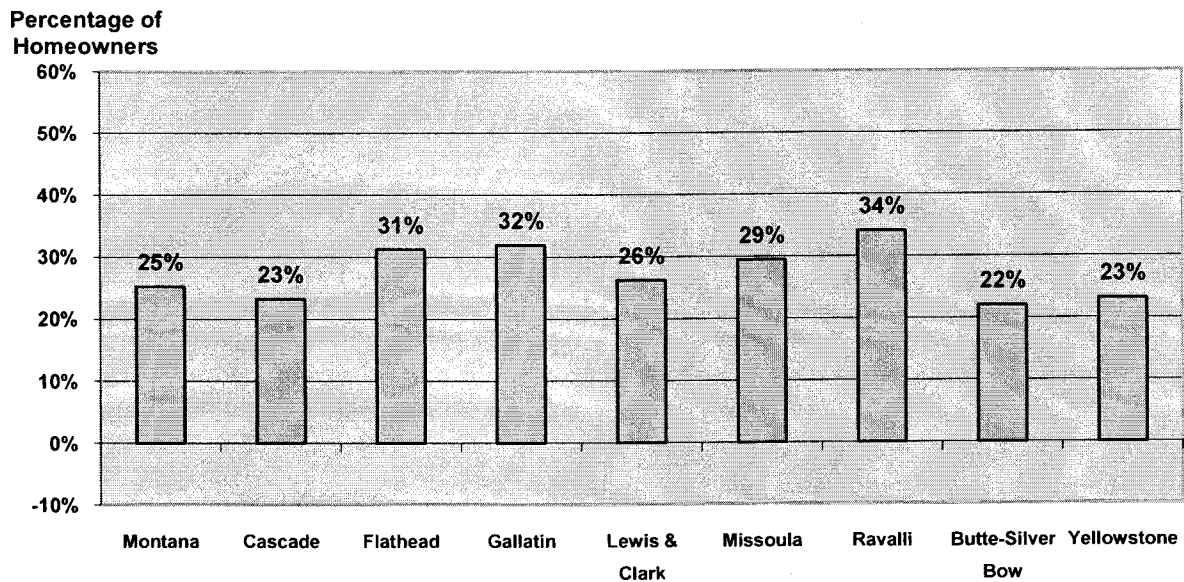
**Figure 3**  
Average Percent Change in Per Capita Income, 1998-2007 vs. 2008-09



Sources: Bureau of Economic Analysis and Bureau of Business and Economic Research.

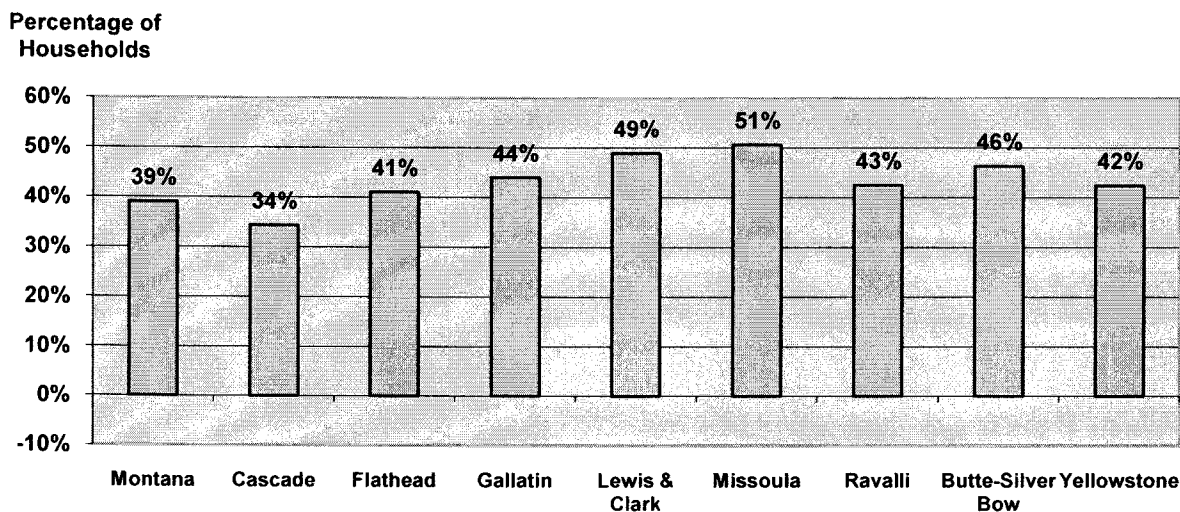
Further evidence of housing cost pushing the limits of Montanans' pocket books can be seen in the data from the US Census Bureau's American Community Survey. Substantial numbers of Montana households pay more than 30 percent of their income towards housing. The problem is especially acute in Flathead, Gallatin, Missoula and Ravalli Counties.

**Figure 4**  
Percentage of Homeowners Paying More Than 30 Percent of Income Toward Housing, 2008



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 5**  
**Percentage of Renters Paying More Than 30 Percent of Income**  
**Toward Housing, 2008**

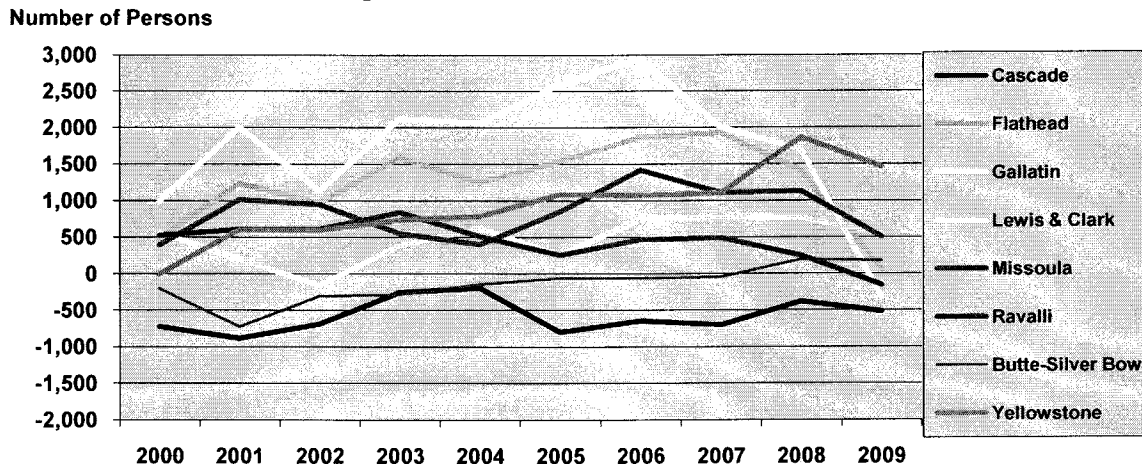


Source: U.S. Census Bureau, American Community Survey, 2006-2008.

#### **Factors Driving Demand for Housing in Montana**

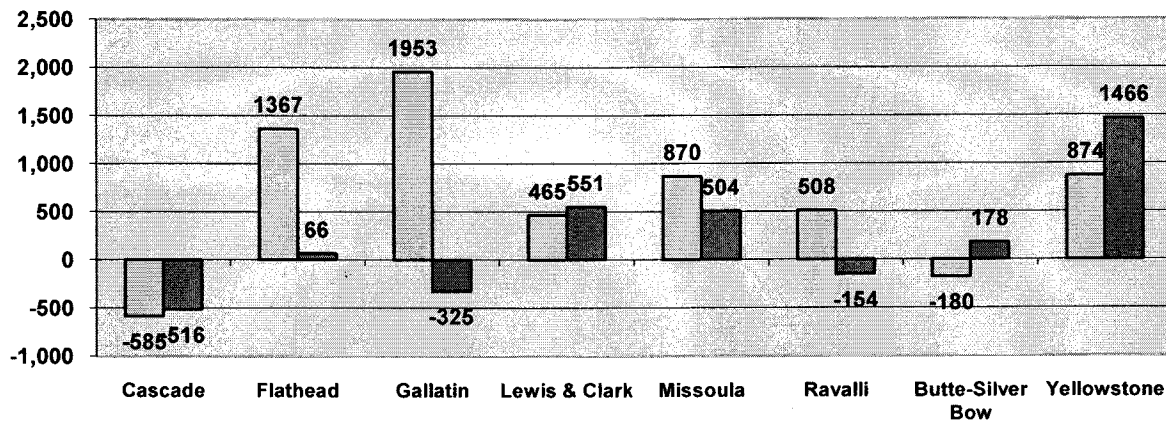
Growth in the number of households and growth in income are the primary drivers of the demand for housing. Population growth due to net migration began to moderate in 2007 after running at very strong levels in some counties. As shown in Figure 6, net migration fell more sharply during the recession, particularly in Flathead and Gallatin counties. The comparison of 2009 migration to earlier in the decade is starkest in those two counties, as shown in Figure 7. Yellowstone County continues to see an upward trend in net migration, while Cascade County continues to experience net out-migration.

**Figure 6**  
**Net Migration, Selected Montana Counties, 2000-2009**



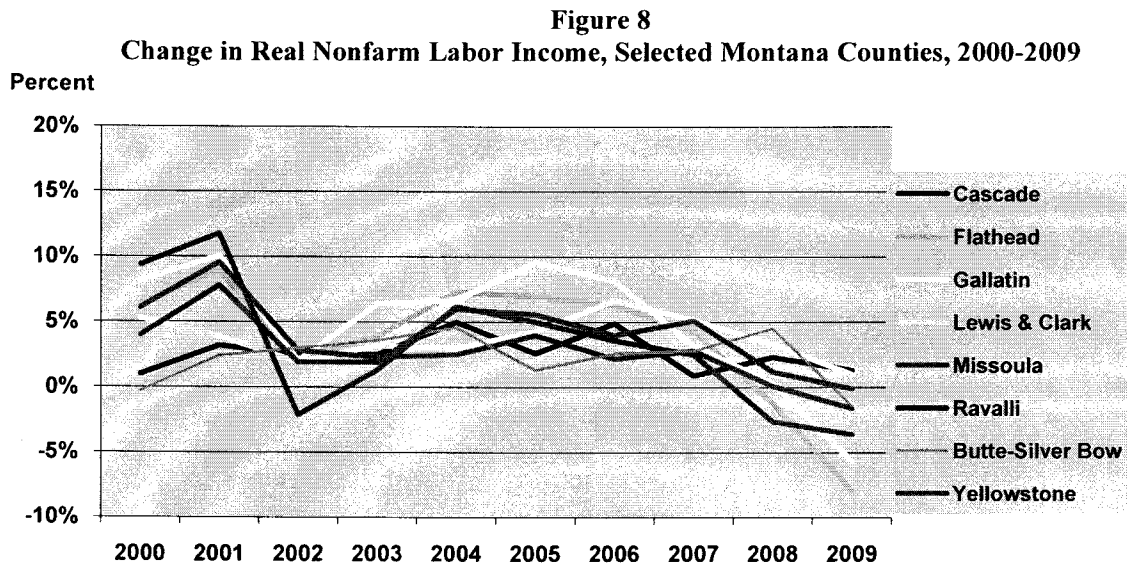
Source: US Census Bureau.

**Figure 7**  
**Net Migration, Average 2000-2008 and 2009**



Source: Bureau of Business and Economic Research.

Economic conditions can influence housing markets directly, in addition to affecting housing demand through population growth. Changes in nonfarm labor income indicate a growing or declining economy. Nonfarm labor income declined in every major housing market in Montana with the exception of Cascade and Lewis and Clark counties; increases in those two counties were essentially zero. The recession has impacted the economy significantly in every county in the state, with the once faster-growing counties particularly hard hit. As shown in Figure 8, the downward trajectory of the economy as measured by income growth is unmistakable.

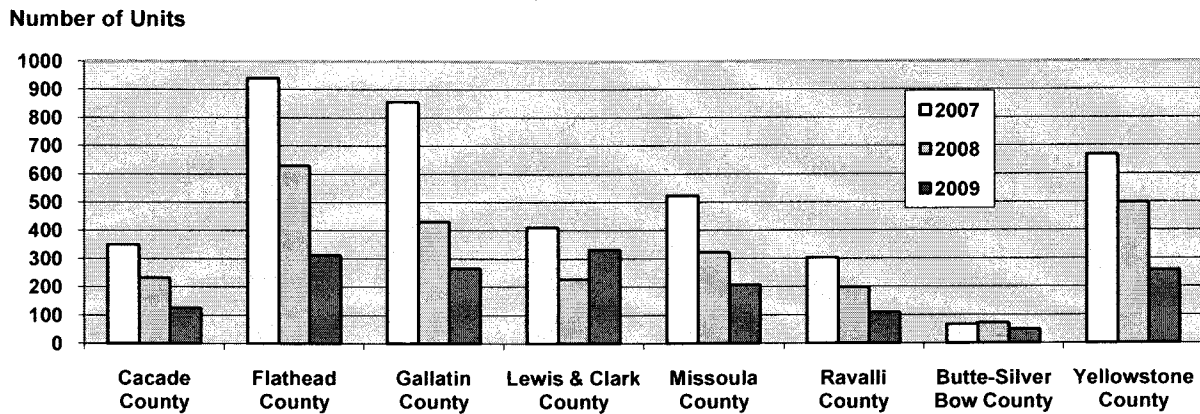


### Supply of Housing

New construction affects the supply of housing. Construction statistics in Montana, like many other states, have several shortcomings. The traditional measure of construction activity for housing is residential building permits. These are incomplete, since a substantial amount of building in Montana occurs in areas that do not require permits. But data on permits remain the most valuable gauge of construction activity available.

A look at permits issued shows the substantial decline in residential construction activity that began in 2008 has continued in 2009. The most prominent exception to this was in Lewis and Clark County, where single family permits rebounded to 80 percent of their 2007 levels. In other markets, the back-to-back years of significant declines have driven residential building activity to levels that are down 60 to 70 percent from pre-recession peaks. This matches the severity of the national construction downturn.

**Figure 9**  
**Permits for Single Family Residences**  
**2007, 2008 and 2009**



Source: US Census Bureau, Construction Statistics

### Current State of Montana's Housing Markets

The Federal Housing Finance Agency Housing Price Index measures the average price changes in repeat sales or refinancing of single family properties through Fannie Mae or Freddie Mac. These data are reported for states and Metropolitan Statistical Areas (MSA's) only. As shown in Figure 10, the data show a flattening of housing prices in 2008 that has now turned into declines in 2009. Price declines were apparent in the state's overall index as well, although the declines in other mountain state's housing markets were more pronounced. The U.S. housing price index has declined by almost 5 percent per year in 2008-09.

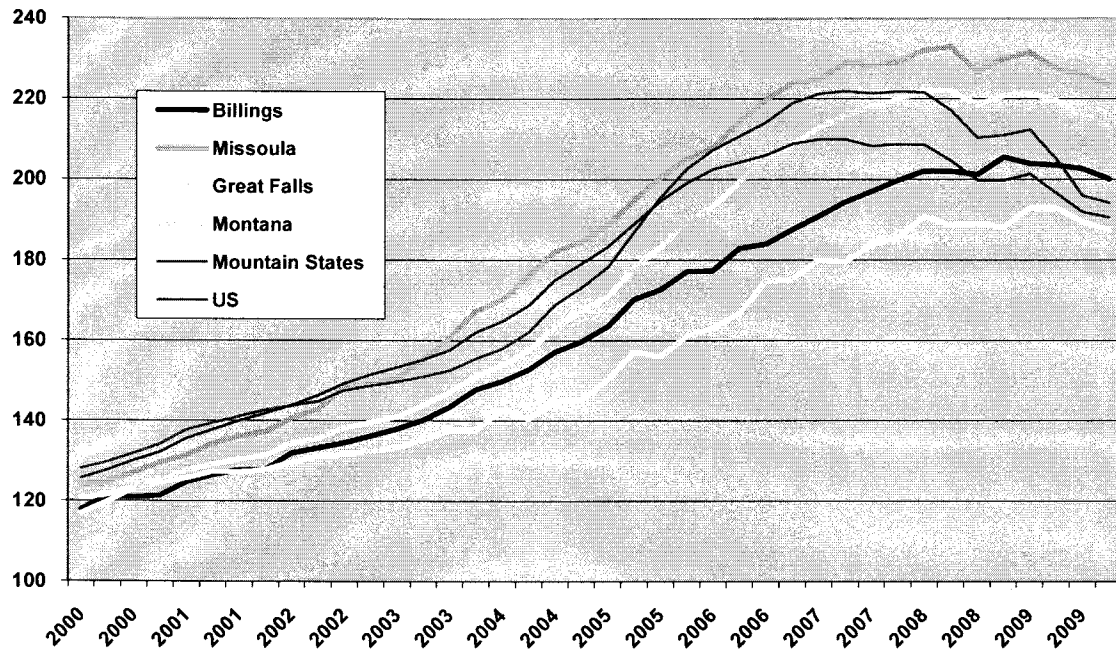
The continued weakness in markets is also reflected in the data derived from Multiple Listing Service records for Montana's major markets. At least the decline in homes sold in 2009 was much more modest than in 2008. But sales remain at low levels in most markets. The median price of homes sold saw more significant declines in 2009 in all markets except Cascade County, as shown in Figure 12.



## Montana's Real Estate Market

**Figure 10**  
**Housing Price Index, 2000Q1-2009Q4**

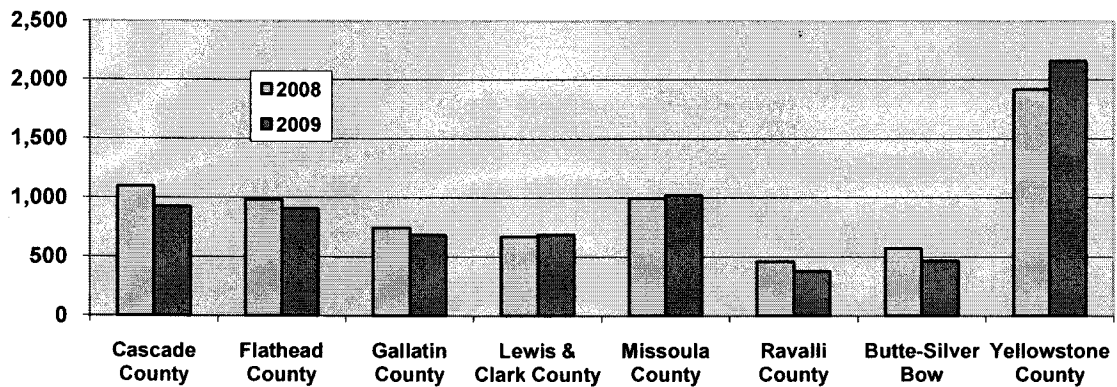
1995Q1=100



Source: Federal Housing Finance Agency.

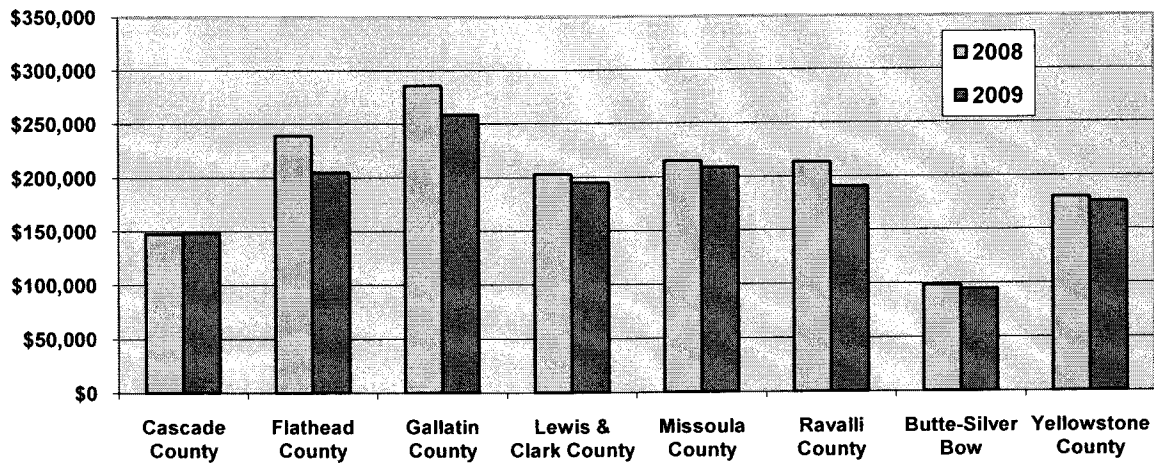
**Figure 11**  
**Number of Residential Sales, 2008-2009**

Number of sales



Source: Selected Multiple Listing Services.

**Figure 12**  
**Median Price of Residential Sales, 2008-2009**



Source: Selected Multiple Listing Services.

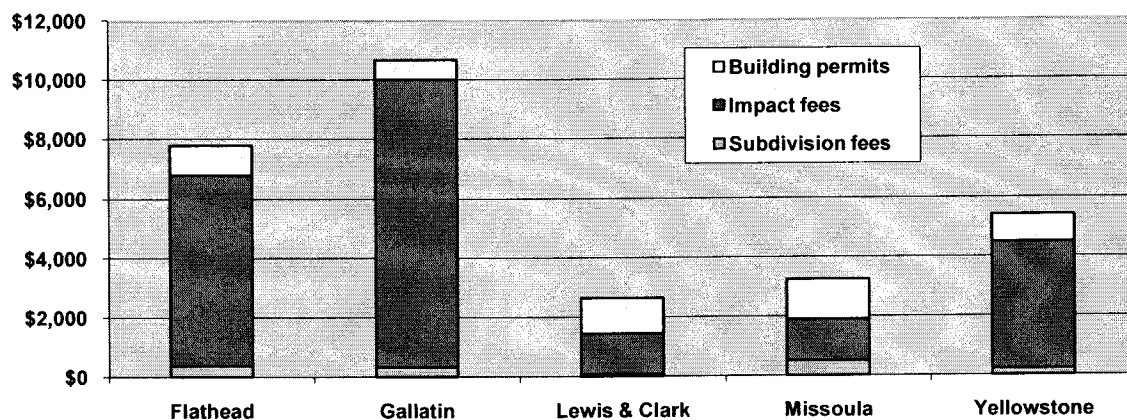
### Construction and Regulatory Costs

As the economy grew through the early part of the decade, construction costs increased dramatically. These costs were influenced by many factors, including the lack of skilled construction labor in some fast growing communities. The recent downturn in the economy may alleviate some of these problems.

Several Montana counties have implemented impact fees to address concerns over growing infrastructure needs. These impact fees increase the cost of a dwelling unit by up to \$10,000. These fees have implications for providing affordable housing.

**Figure 11**  
**Regulatory Fees per Dwelling Unit, Selected Montana Cities**

Fees per Unit



Sources: Compilation from City-County building web sites and Montana Building Industry Association.

## Montana's Real Estate Market

### Foreclosures

Another indicator of the health of housing markets is the number of real estate loans in foreclosure. Not only are foreclosures an indicator of economic stress, but they also exert a direct impact on housing markets through their contribution to the supply of unsold homes.

Comprehensive data on foreclosures are very hard to find. This data shortcoming is documented by the Federal Reserve Bank of Minneapolis in the following reference:

[www.minneapolisfed.org/publications\\_papers/pub\\_display.cfm?id=2200](http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=2200)

Foreclosure data must be gathered from each court house on a daily basis. There is no formal data gathering effort.

### Summary

The status of Montana's real estate markets continues to be stressed by the recession. Sales and construction have been at low levels, and prices have continued to soften. While this has provided some good news on affordability, The starting point for those changes is itself the product of an eight year long period of robust growth. As this report is written there are four major markets within Montana that do not meet the HUD standard for affordable owner-occupied housing: Flathead, Missoula, Gallatin, and Ravalli counties. There is considerable evidence that renters are feeling budget pressure from rents as well.

The remainder of this report explores the factors affecting demand and supply for individual markets in Montana in greater detail.

## Montana's Real Estate Market

### Organization of Market Data

Data are provided for each major real estate market. Information is organized in the same manner for each area, although some differences occur in that some data are unavailable or incomplete. A brief discussion of the data sources and their interpretation is provided here.

#### *Total population and components of population change*

The US Census Bureau makes annual estimates of county population. These estimates are derived from administrative records benchmarked to the decennial Census. Births and deaths are added and subtracted to the latest census count. An estimate of net migration is made by matching individual tax return addresses on a yearly basis. Migration in the United States is not tracked by government agencies.

#### *Number of personal exemptions*

These charts are derived from compiling annual estimates of total tax exemptions by change of residence. These data indicate where households are moving to and from. If people are moving to Montana counties from another state in proportionately larger numbers, local real estate markets may be dependent on economic conditions in other regions. If more people are moving to an adjacent county (i.e. Missoula to Ravalli) real estate markets may be more blurred.

#### *Per capita income*

The Bureau of Economic Analysis publishes annual estimates of per capita income. Per capita income is the average income of all individuals and is a generally accepted measure of relative economic prosperity.

#### *Nonfarm labor income*

Nonfarm labor income measures how an economy is doing. The charts show annual percent growth in real terms. Growth rates in negative territory show an economy in decline. Positive growth shows a healthy economy. Real estate markets in growing economies are generally better than those in decline.

#### *Supply of housing*

The supply of housing in this report is measured building permit activity in permit issuing areas and electric permits from the Montana Department of Labor and Industry. Electric permits are required in non-permit issuing areas. Only permits issued for new residential construction are included.

#### *Current state of housing market*

The current state of a local housing market is measured by the number of single family home sales in a given year. Also included is the median price for sold homes and the number of days on market (DOM).

## Montana's Real Estate Market

### *Median household income*

Median household income is measured by the US Census Bureau American Community Survey (ACS). It is the threshold income where half of households have incomes above and half below. Median household income is a key component of the housing affordability index calculated in the state summary.

### *Income distribution*

Income distribution is measured the US Census Bureau American Community Survey. Income distributions show how family and household incomes are clustered. Skewed distributions may distort markets.

### *Income as a ratio of poverty level*

The Census Bureau establishes a Federal Poverty Level each year based on household size and income. The American Community Survey reports household income as a ratio of income to the poverty level. This ratio indicates how well-off an area is. Households with high ratios are better off. A large household may have a median income but be below to the Federal Poverty Level.

### *Percentage of households spending more than 30 percent of income on housing*

HUD sets 30 percent of income as a lending threshold. Areas with large proportions of households paying more than 30 percent of income for housing generally have low affordability indexes.

### *Regulatory costs*

Several Montana counties implemented impact fees to pay for additional infrastructure caused by growth. These regulatory costs are then passed on to homeowners. Regulatory fees have a considerable impact on housing affordability in a particular area. For this report, tables were sent to Montana Building Industry Association members for completion. The assumptions were a 25 lot subdivision of "affordable housing" with several subdivision modifications. Online fee schedules were used to fill out missing data where possible. These fees should be used to illustrate the magnitude of regulatory fees only.

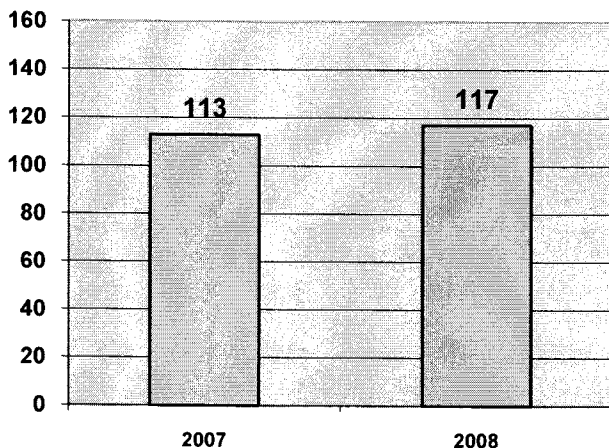
**Cascade County  
Real Estate**

## Cascade County At A Glance

The Great Falls economy did not completely escape the current recession. Preliminary 2009 data show weakness in construction and real estate, retail trade, wholesale trade, and transportation (mostly trucking). The BBER's 1.3 percent growth forecast for 2009 may be too optimistic. Malmstrom Air Force Base (including both civilian and military workers) accounts for almost one-half of the economic base in Cascade County, and stable or slightly increasing staffing levels lend stability to the local economy. Great Falls continues as the dominant medical center in north-central Montana, but recent growth has been moderate. Cascade County experienced rapid growth during 2003-2006 mostly due post-Sept. 11 build up of federal and civilian employment

The stable real estate market in Cascade County is reflected in the Housing Affordability Index; little year to year change occurred. Cascade County is one of the more affordable real estate markets in Montana.

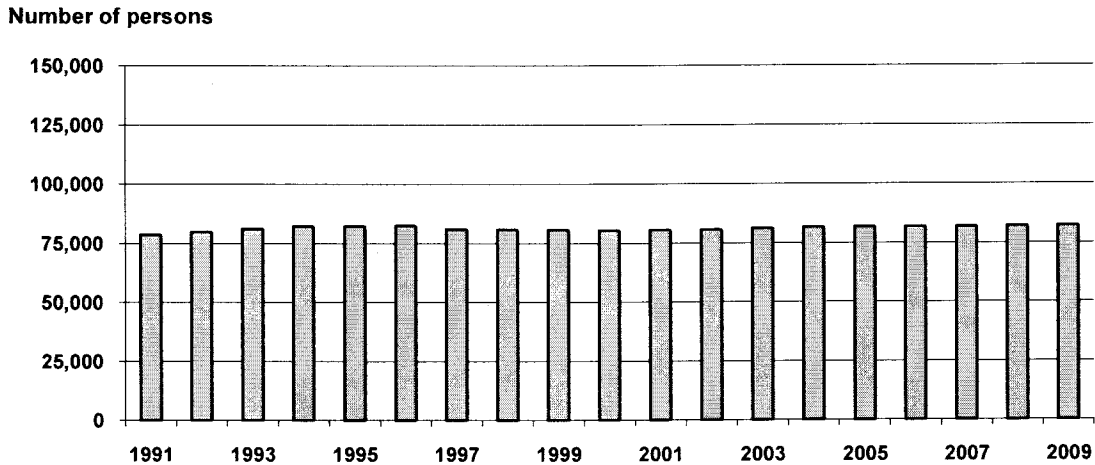
**Figure 1.0: Housing Affordability Index, Cascade County, 2007 and 2008**



## Factors Driving Demand for Housing in Cascade County

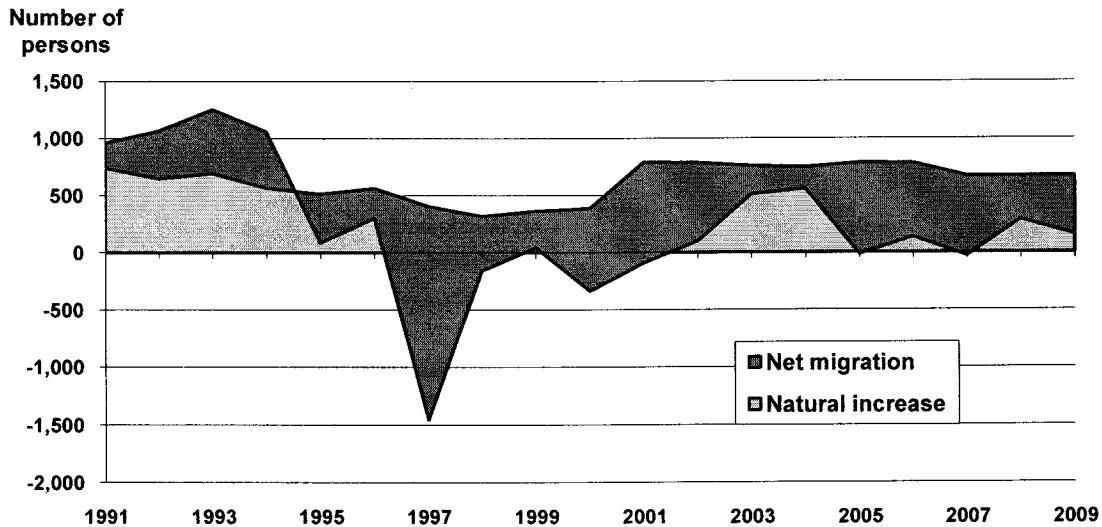
Population in Cascade County has not changed much over the last decade. Cascade County continues to experience net out-migration. About 4,500 persons move out and 4,000 move in annually. A large portion of migrants to and from Cascade County are inter-state migrants tied to personnel changes at Malmstrom Air Force Base.

**Figure 1.1: Total Population, Cascade County; 1991-2009**



Source: US Census Bureau.

**Figure 1.2: Components of Population Change, Cascade County, 1991-2009**

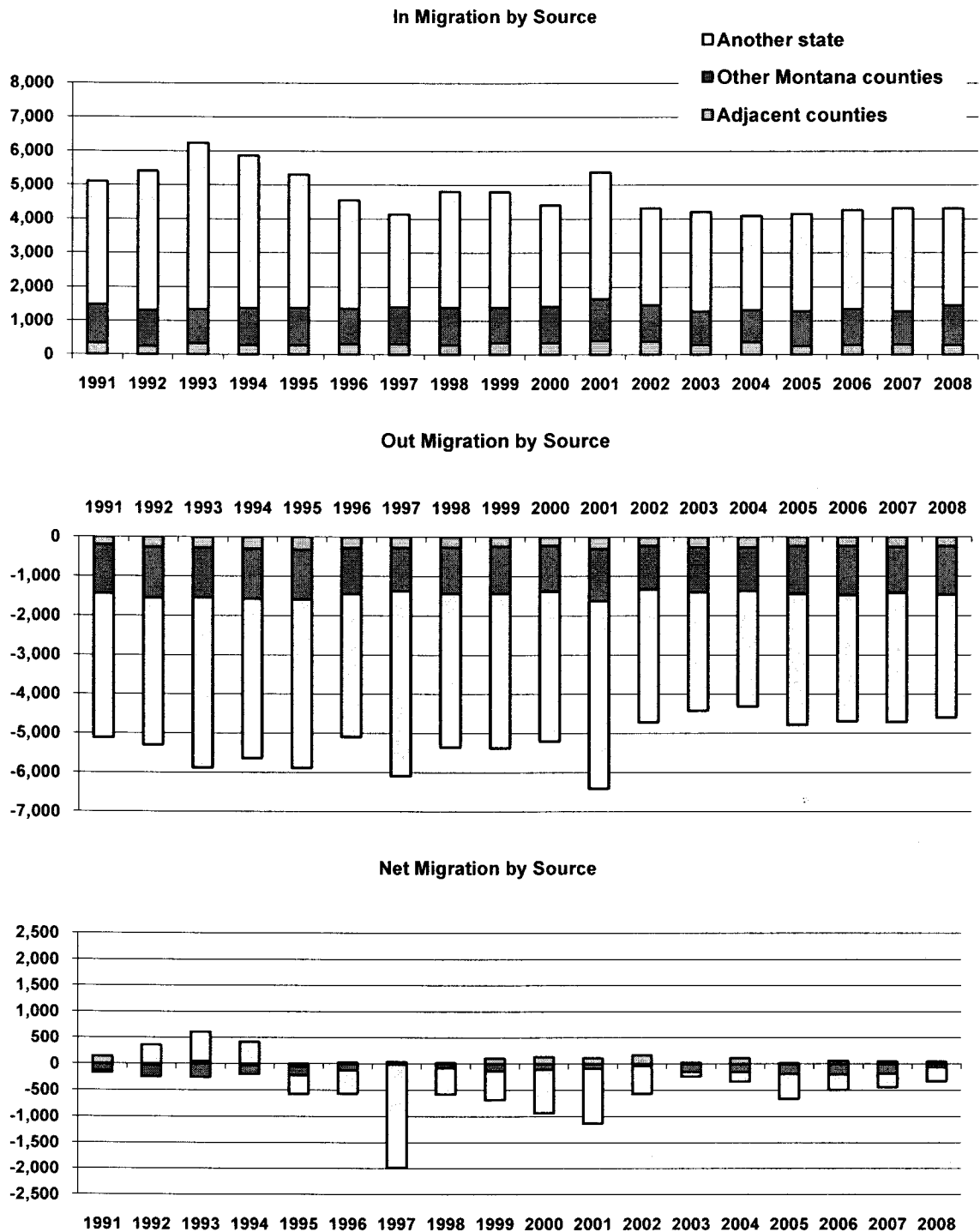


Source: US Census Bureau.



# Cascade County Real Estate

**Figure 1.3: Number of Personal Exemptions, Cascade County, 1991-2008**

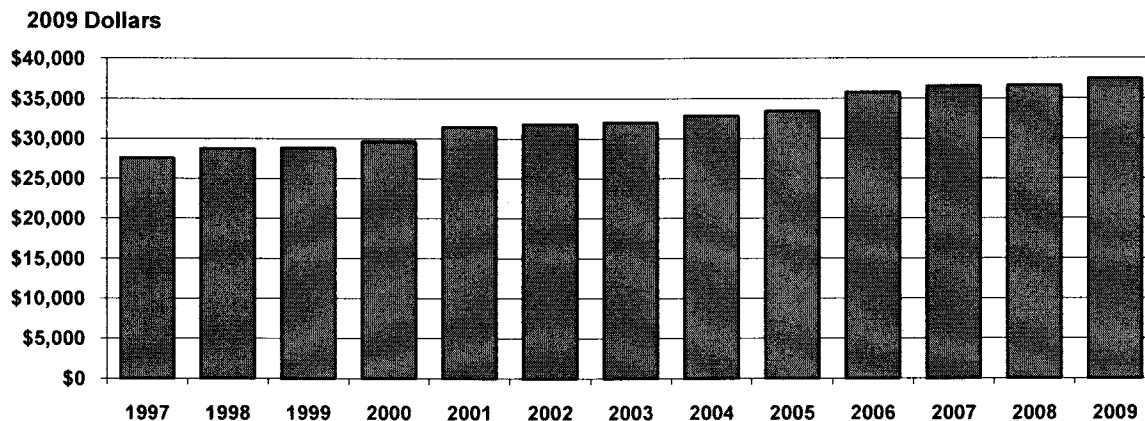


Source: Internal Revenue Service.

## Cascade County Real Estate

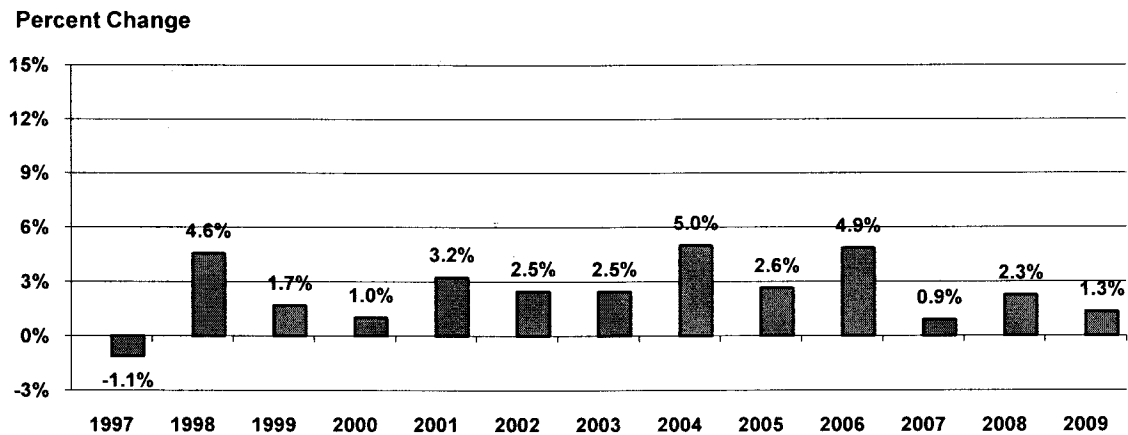
Per capita income is the average income for every person in an area. It increased 26 percent between 2000 and 2009. Nonfarm labor income measures how an economy is doing. Nonfarm income has grown at moderate rates since 2000.

**Figure 1.4: Per Capita Income, Cascade County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 1.5: Change in Nonfarm Labor Income, Cascade County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Cascade County

Building activity in Great Falls remained relatively constant through 2007 then decreased by about half in 2008. 2009 building was about the same as 2008 although single family construction declined. Building in the unincorporated areas of Cascade County has remained fairly constant.

**Table 1.1: Building and Electric Permits, Cascade County Permitting Areas**

### City of Great Falls Building Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	113	0	48	161
2002	112	0	8	120
2003	142	0	32	174
2004	148	2	42	192
2005	185	16	28	229
2006	188	4	7	199
2007	210	0	76	286
2008	113	2	0	115
2009	75	8	36	119

### Unincorporated Areas of Cascade County Electric Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	74	0	0	74
2002	57	0	0	57
2003	66	0	0	66
2004	80	0	0	80
2005	98	0	0	98
2006	96	0	0	96
2007	100	0	0	100
2008	117	0	0	117
2009	82	0	0	82

Source: US Census Bureau, Construction Statistics and Montana Department of Labor and Industry.

## Current State of Cascade County's Housing Market

Cascade County remains an affordable urban county in Montana to purchase a new home. Median price for a single family home was only \$148,150 in 2009. Sales remained constant at around 1,100-1,300 per year through 2008. Sales activity slowed in 2009 when only 924 homes were sold and at a 0.4 percent increase in median price over 2008. Days on the market nearly doubled from 2007.

**Table 1.2: Residential Home Sales, Cascade County**

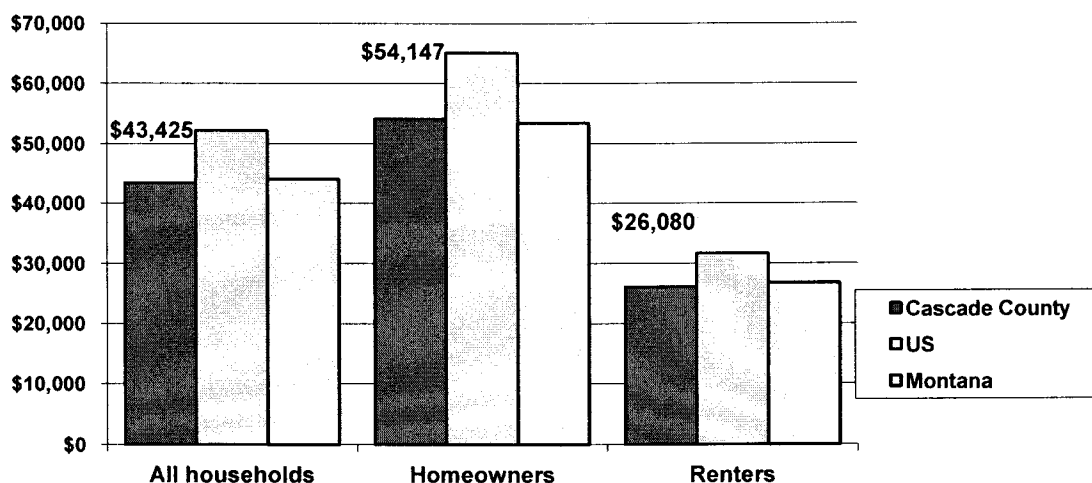
Year	Residential Sales	Median Price	Percent Change	DOM
2002	1,090	\$ 94,500		81
2003	1,228	109,900	16.3%	72
2004	1,164	108,000	-1.7%	68
2005	1,185	125,000	15.7%	57
2006	1,305	135,680	8.5%	59
2007	1,229	145,000	6.9%	58
2008	1,097	147,500	1.7%	101
2009	924	148,150	0.4%	108

Source: Great Falls Association of REALTORS.

## Housing Affordability Scorecard

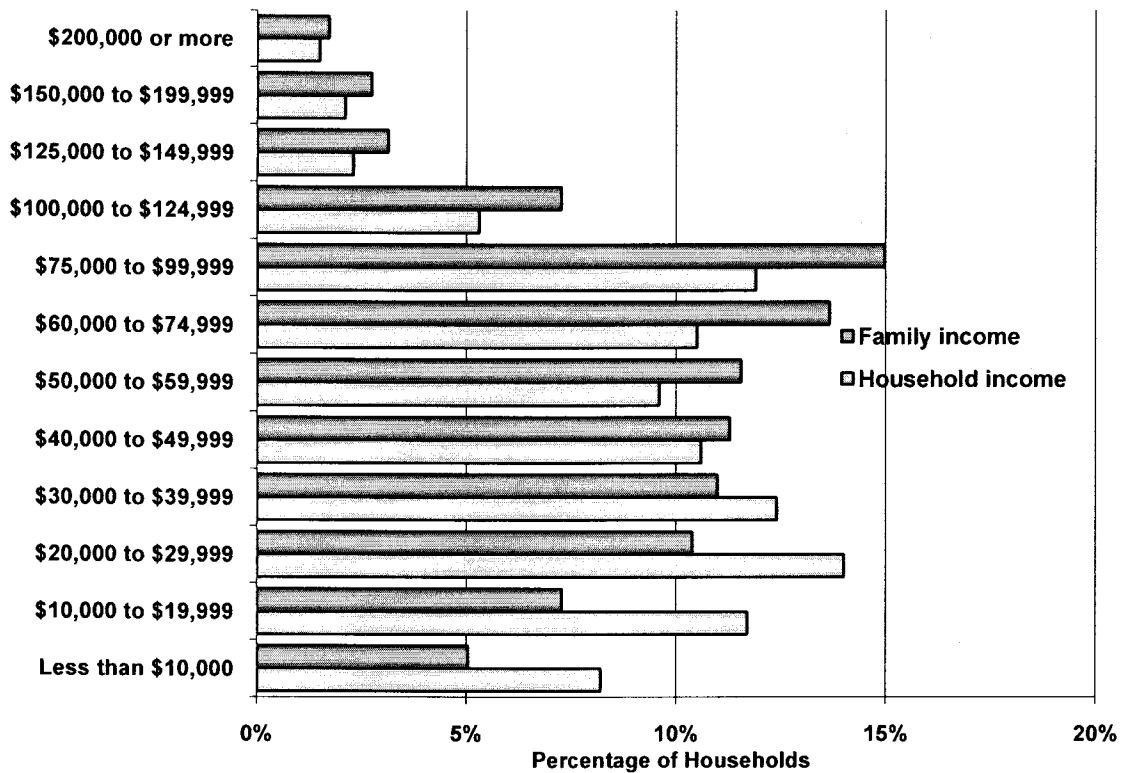
Median income for Cascade County households is comparable to the Montana median. About 40 percent of Cascade County families have incomes between 50 and 100 thousand dollars. About 15 percent of families have incomes over 100,000 dollars. The poverty rate for Cascade County is 13.6 percent.

**Figure 1.6: Median Household Income, Cascade County, 2008**



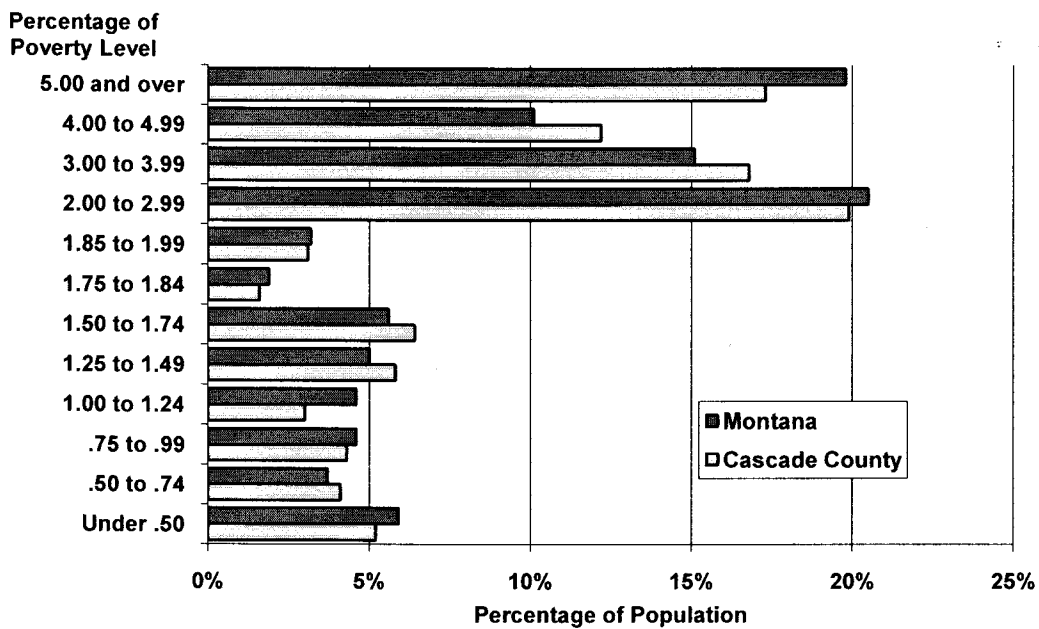
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 1.7: Income Distribution, Cascade County, 2008**



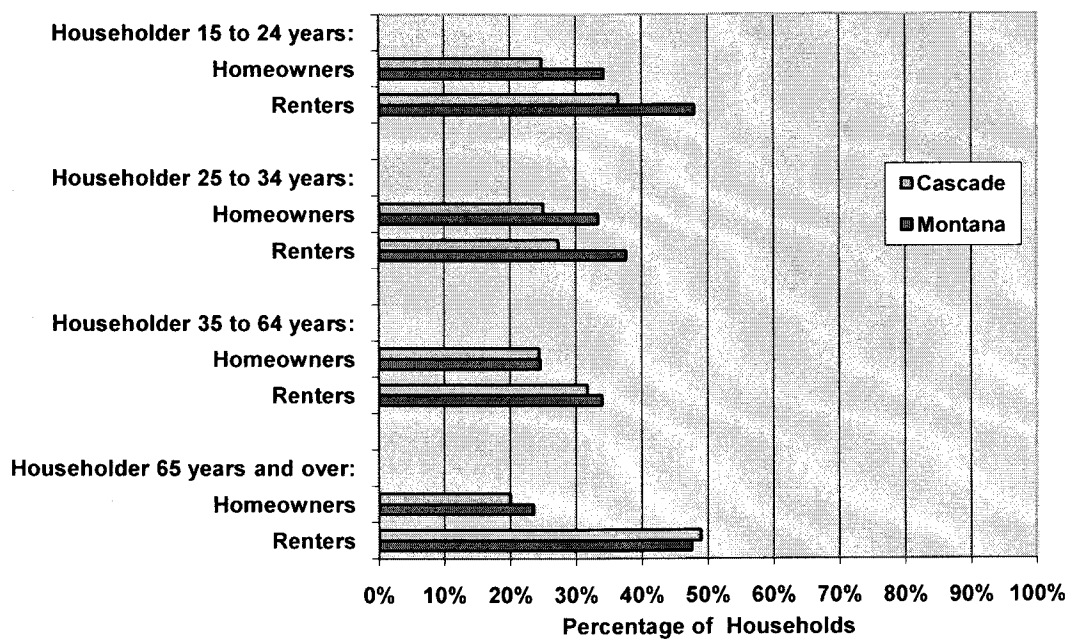
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 1.8: Income as a Ratio of Poverty Level, Cascade County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 1.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Cascade County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

Housing is very affordable in Cascade County when compared to other areas of Montana. Households in Cascade County pay more than 30 percent of their incomes for housing in proportions less than all Montana.

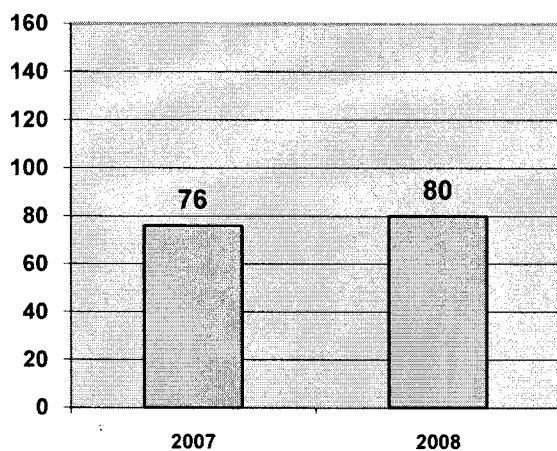
**Flathead County  
Real Estate**

## Flathead County At A Glance

The Flathead economy is the epicenter of the recession in Montana. The bad news began in early 2008 with the collapse of the high-flying construction and real estate industries. Then there were a seemingly endless series of cutbacks, shift reductions, and shutdowns in the wood products industry. The national economy took its toll on the nonresident travel industry and manufacturing. Finally, there was the shutdown of the Columbia Falls Aluminum Company. On the positive side, the evolution of Kalispell into a regional trade and service center continues to be one of the growing sectors of the economic base. It will be at least mid-2013 before real nonfarm labor income (an overall measure of the economy) in Flathead County regains its 2007 peak. It will take even longer for employment to regain its prerecession levels.

Flathead County remains one of the most unaffordable real estate markets in Montana. Housing affordability as measured by the Housing Affordability Index has not changed much during the recent real estate debacle.

**Figure 2.0: Housing Affordability Index, Flathead County, 2007 and 2008**

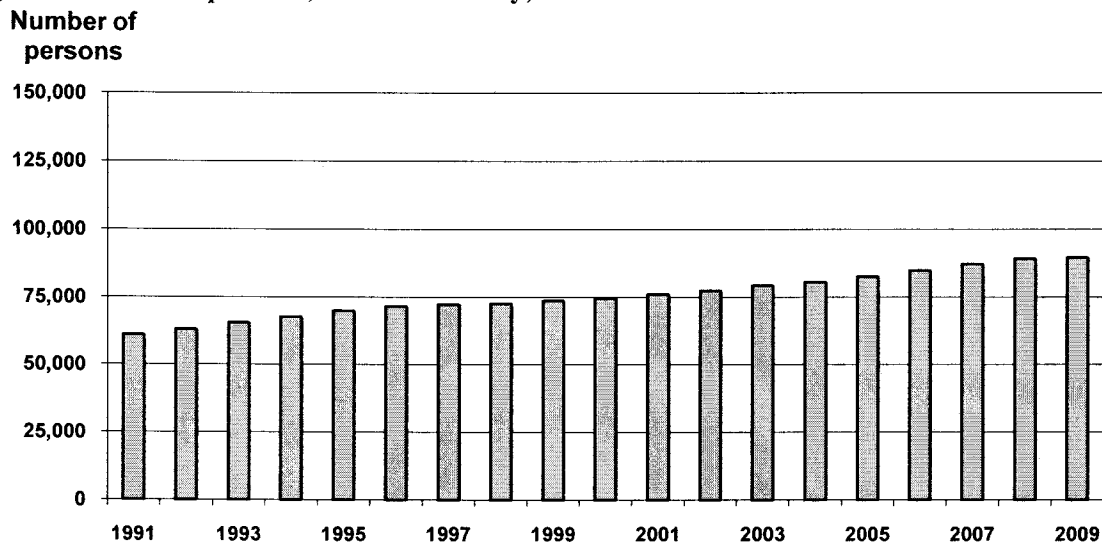




## Factors Driving Demand for Housing in Flathead County

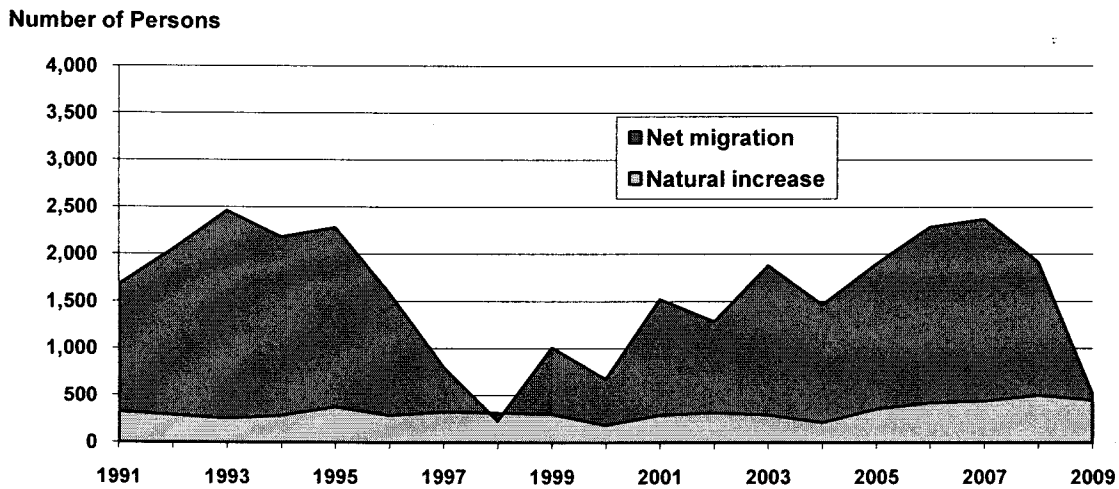
Population growth in Flathead County slowed in 2009. Growth during the decade was driven by about 1,000 more persons moving into Flathead County than move out. In 2009, net migration was about zero.

**Figure 2.1: Total Population, Flathead County; 1991-2009**



Source: US Census Bureau.

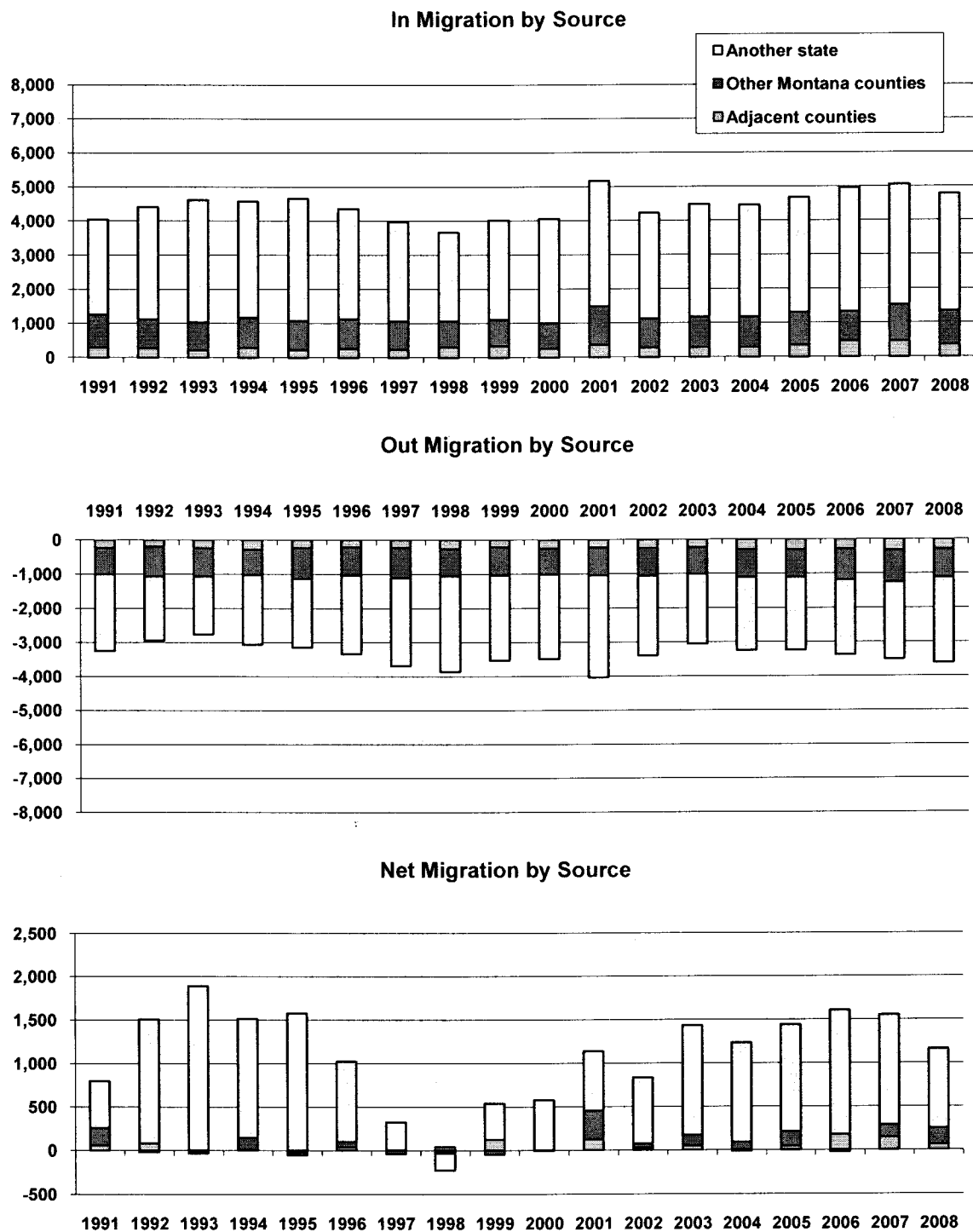
**Figure 2.2: Components of Population Change, Flathead County, 1991-2009**



Source: US Census Bureau.

# Flathead County Real Estate

**Figure 2.3: Number of Personal Exemptions, Flathead County, 1991-2008**

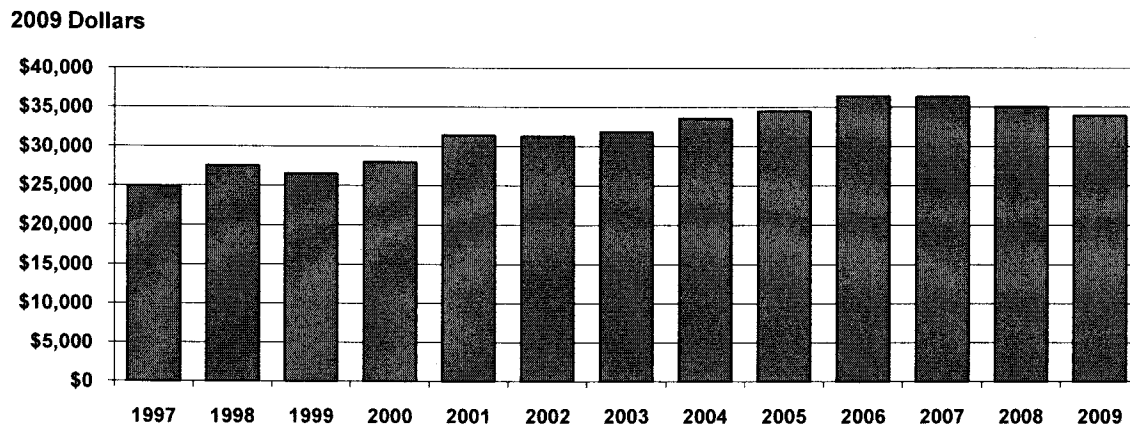


Source: Internal Revenue Service.

## Flathead County Real Estate

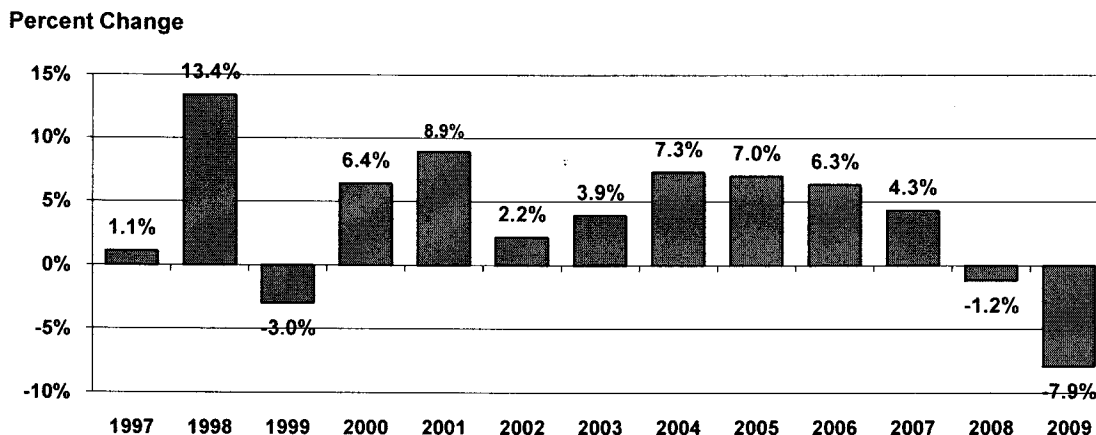
Per capita income is the average income for every person in an area. It increased 21 percent between 2000 and 2007. Per capita income declined in the last two years. Nonfarm labor income measures how an economy is doing. Nonfarm income grew between 2003 and 2007. Nonfarm labor income declined in 2008 and 2009 as major industries including construction and wood products manufacturing experienced upheaval.

**Figure 2.4: Per Capita Income, Flathead County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 2.5: Change in Nonfarm Labor Income, Flathead County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Flathead County

Building and electric permits for Flathead County were robust during the early part of the decade, but have declined precipitously since 2007.

**Table 2.1: Building and Electric Permits, Flathead County**

### **Kalispell and Unincorporated Areas Electric Permits**

	Number of Units			Total
	Single family electric	Duplex	Multifamily	
2001	711	44	6	761
2002	735	24	88	847
2003	891	40	23	954
2004	1,110	64	119	1,293
2005	1,264	22	14	1,300
2006	1,082	16	28	1,126
2007	905	12	91	1,008
2008	584	30	33	647
2009	298	8	0	306

### **Town of Columbia Falls Building Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	17	0	0	17
2002	28	0	0	28
2003	66	0	8	74
2004	40	6	48	94
2005	57	8	16	81
2006	35	24	18	77
2007	25	12	0	37
2008	24	0	0	24
2009				

### **Town of Whitefish Building Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	76	0	30	106
2002	87	12	4	103
2003	103	12	32	147
2004	85	0	58	143
2005	136	0	153	289
2006	101	8	23	132
2007	36	6	32	74
2008	35	0	0	35
2009	14	0	0	14

Sources: US Census Bureau, Construction Statistics and Montana Department of Labor and Industry.

## Current State of Flathead County's Housing Market

Residential real estate sales were vibrant until 2006. Median prices were growing in the double digits. The number of annual sales approached 2,000. In 2007, the number of sales dropped to 2001 levels although the median price was 9 percent higher than 2006. The real drop started in 2008. Residential real estate sales have declined to about half the number that occurred in 2006. Days on the market increased to 176 days from 153. The median price of residential sales plunged 14 percent in 2009; however the decline in number of sales moderated.

**Table 2.2: Residential Home Sales, Flathead County**

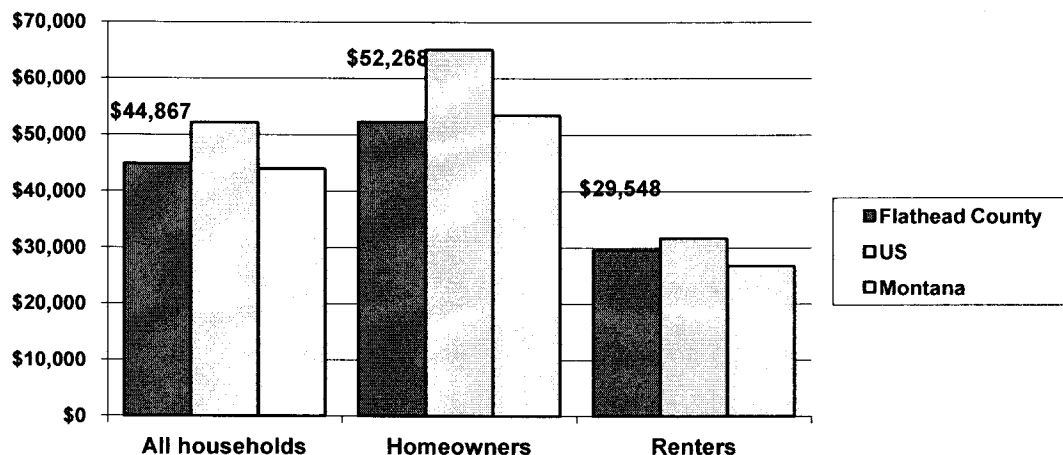
Year	Residential sales	Median Price	Percent Change	DOM
2001	1,389	\$128,500		175
2002	1,517	136,000	5.8%	168
2003	1,573	157,100	15.5%	151
2004	1,724	178,500	13.6%	142
2005	1,761	215,000	20.4%	149
2006	1,802	234,900	9.3%	155
2007	1,358	249,000	6.0%	153
2008	984	239,000	-4.0%	170
2009	908	205,000	-14.2%	176

Source: Northwest Montana Association of REALTORS®.

## Housing Affordability Scorecard

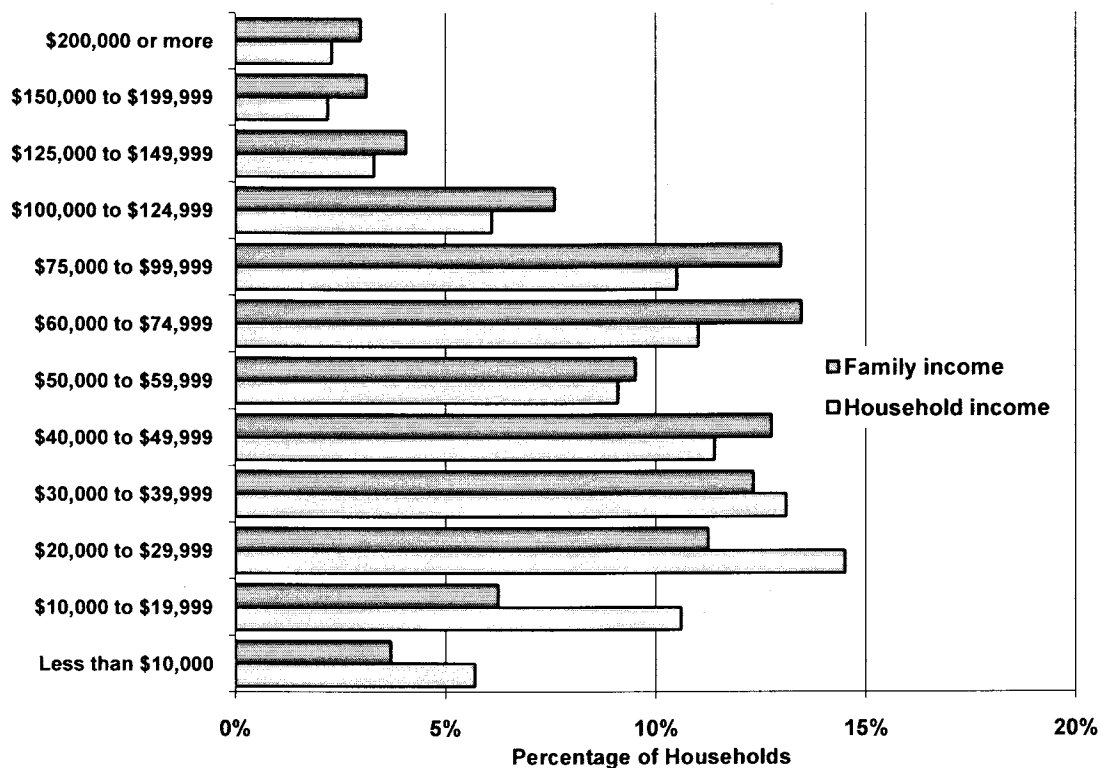
Flathead median household income was slightly higher than Montana but below the national median. Almost eleven percent of Flathead County households have incomes below the Federal Poverty Level.

**Figure 2.6: Median Household Income, Flathead County, 2008**



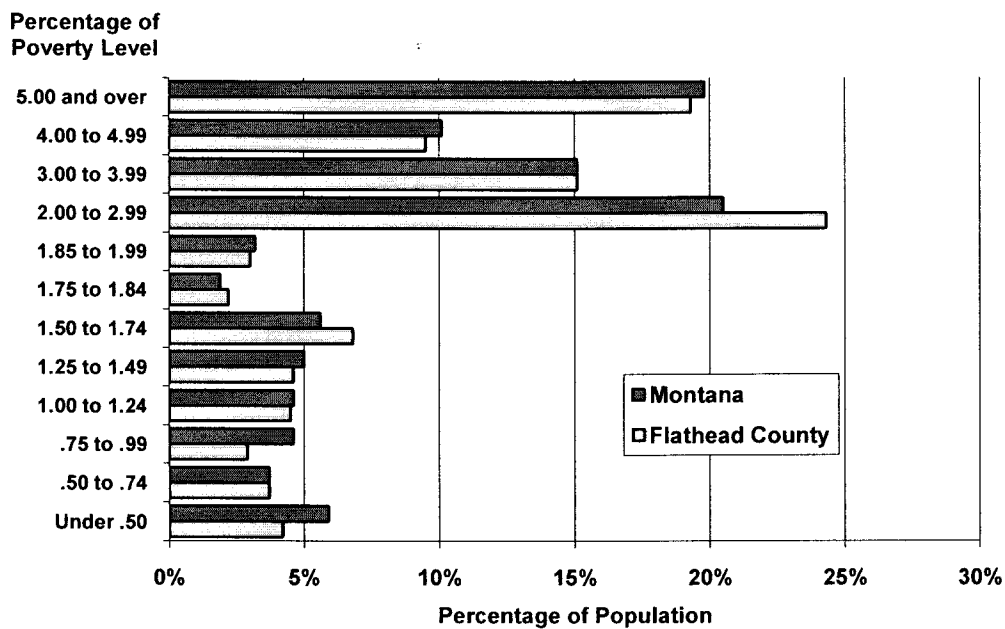
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 2.7: Income Distribution, Flathead County, 2008**



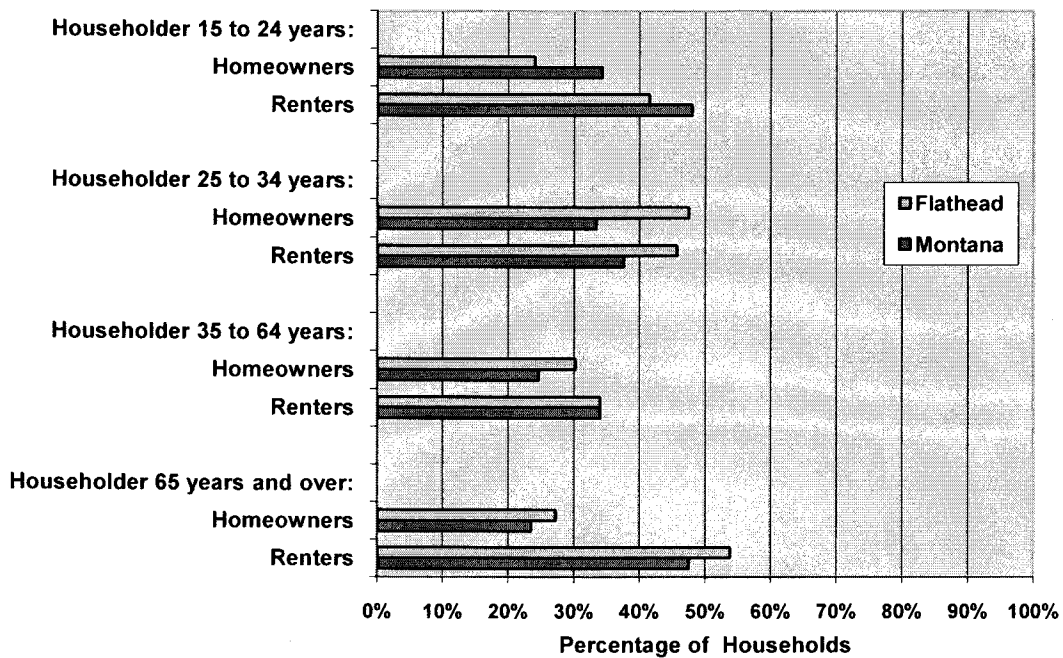
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 2.8: Income as a Ratio of Poverty Level, Flathead County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 2.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Flathead County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

Elderly renters and younger homeowners are large groups paying more than 30 percent of their income for housing in proportions substantially higher than Montana as a whole. Over fifty percent of elderly renters pay over 30 percent of their income towards housing.

## Flathead County Real Estate

### Kalispell Regulatory Fees

Impact and development fees are a noticeable part of building a subdivision in Flathead County, over \$8,000 per unit.

**Table 2.4 Kalispell Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$8,108
Zoning fees	\$990	40
Zone map amendment	590	
Zone text amendment	400	
Subdivision fees	8,300	332
Pre-application review	50	
Preliminary Plat 25 lots	4,125	
Final Plat Filing Review	3,925	
Variance from subdivision standards	200	
Impact fees		6,424
Street		
Fire		547
Water		2,213
Police		44
Stormwater		1,121
Sewer		2,499
Permits		980
Building		920
Plan review		50
Mechanical		
Electrical (state)		
Plumbing (state)		
Stormwater		10



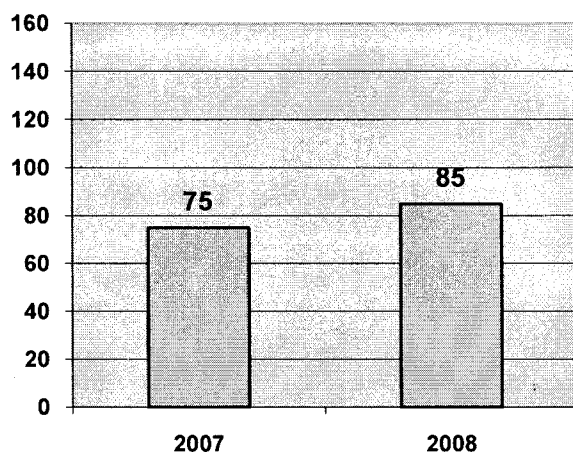
**Gallatin County  
Real Estate**

## Gallatin County At A Glance

The housing/real estate bubble was largest in Bozeman, Big Sky, and elsewhere in Gallatin County. The corresponding bust in construction and real estate was particularly stark. In addition, the recession impacted nonresident travel, which accounts for about 15 percent of Gallatin County's economic base. On the bright side, manufacturing employment has been only modestly impacted, suggesting that there will not be a repeat of the significant high-tech layoffs of the 2001 recession. Montana State University, other state agencies, and the federal government account for about 40 percent of the economic base and contribute stability to the local economy. But the two-year pay freeze for state workers will soften the positive stimulus from this sector. Growth is projected to return in 2010 and later, but the growth rates will be far below those posted from 2003 to 2007.

The volatile real estate market in Gallatin County is reflected in the Housing Affordability Index; real estate was slightly more affordable in 2008 than 2007. Gallatin County still remains one of the more unaffordable real estate markets in Montana.

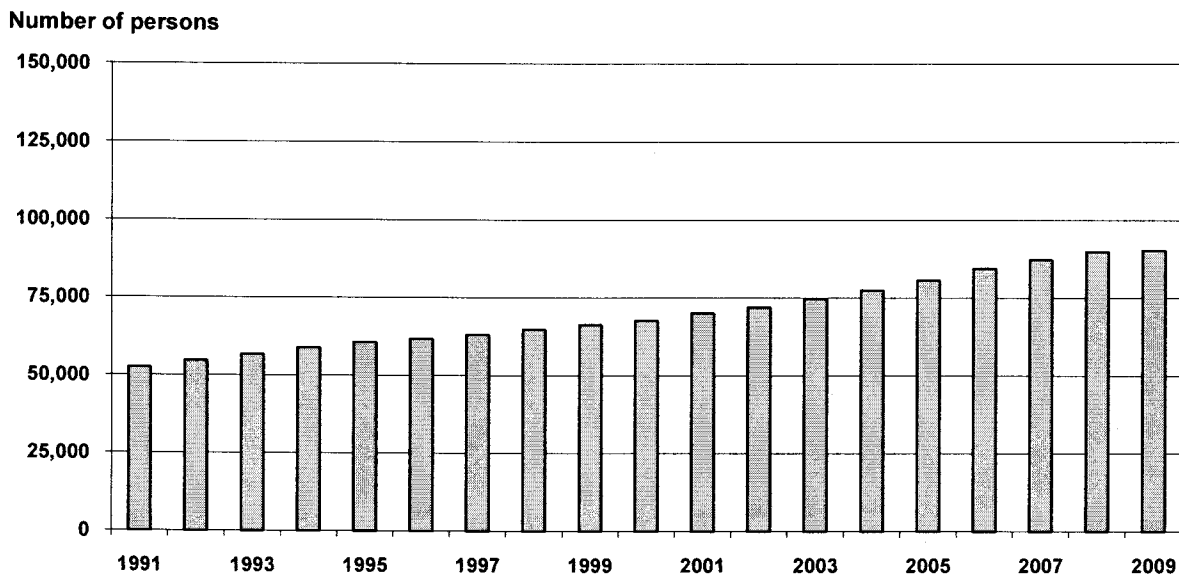
**Figure 3.0: Housing Affordability Index, Gallatin County, 2007 and 2008**



## Factors Driving Demand for Housing in Gallatin County

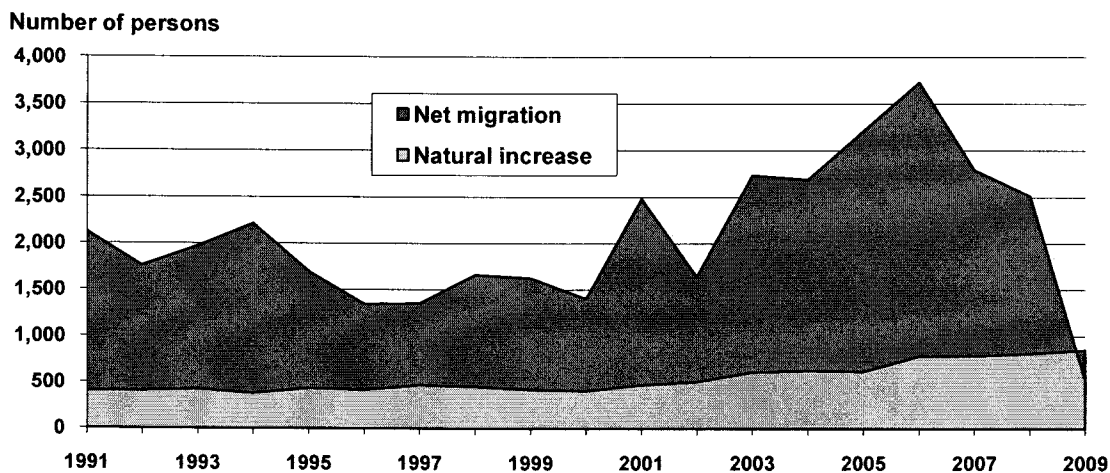
Population in Gallatin County continues to grow. It passed 75,000 persons in 2004. Growth is driven by about 1,000 more persons moving into Gallatin County than move out. Up until 2008, about 5,000 persons moved out and 6,000 moved in annually. A large portion of these migrants to Gallatin County came from other states. Population growth stabilized in 2009 with slightly more people leaving Gallatin County than moved in.

**Figure 3.1: Total Population, Gallatin County; 1991-2009**



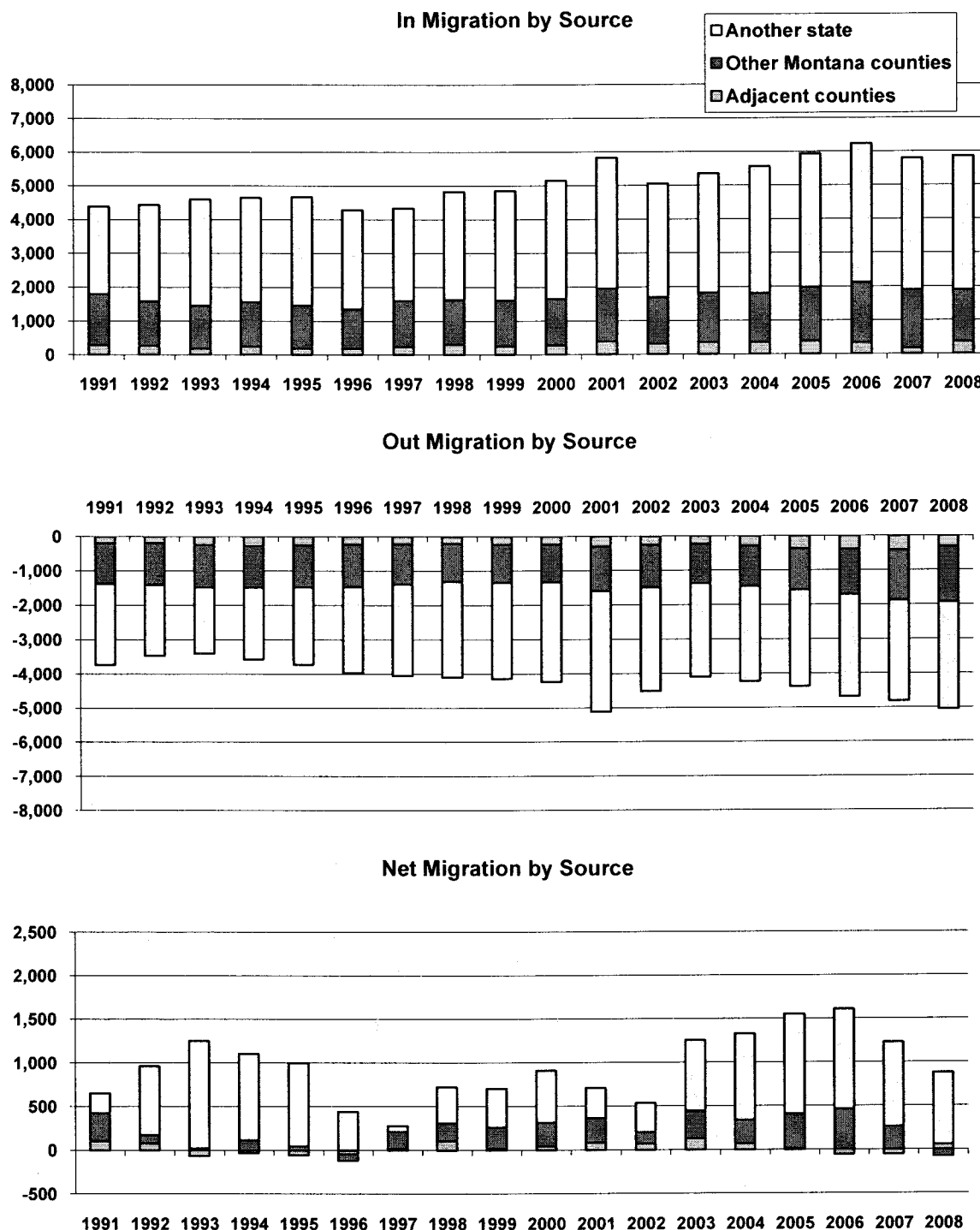
Source: US Census Bureau.

**Figure 3.2: Components of Population Change, Gallatin County, 1991-2009**



Source: US Census Bureau.

Figure 3.3: Number of Personal Exemptions, Gallatin County, 1991-2008

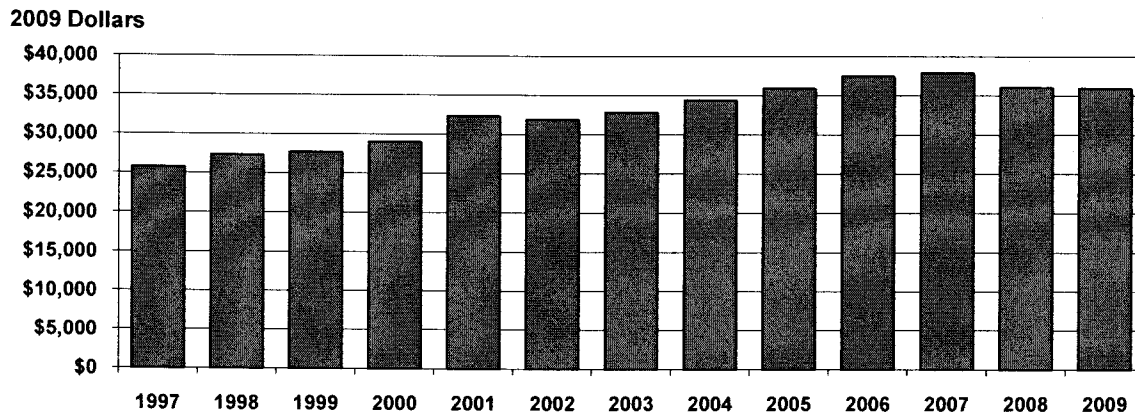


Source: Internal Revenue Service.

## Gallatin County Real Estate

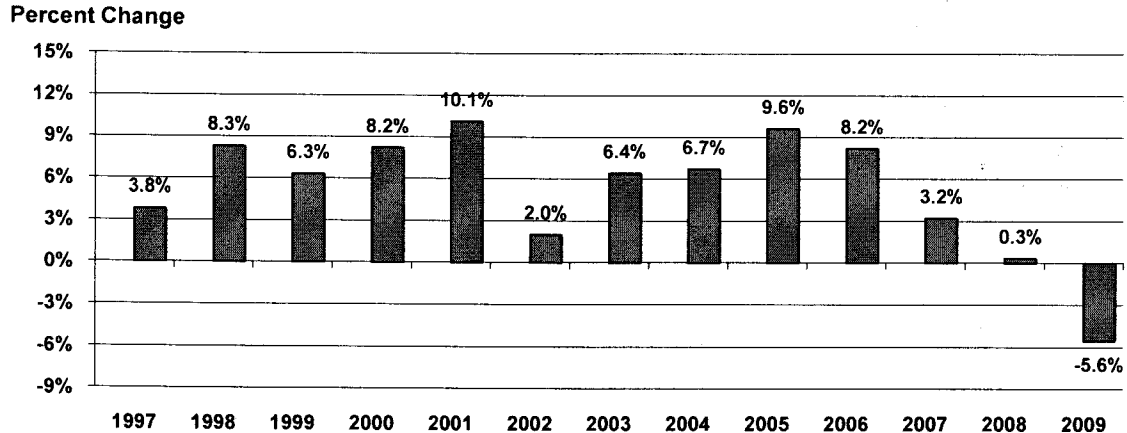
Per capita income is the average income for every person in an area. It increased 26 percent between 2000 and 2007. Per capita income has declined slightly the last two years. Nonfarm labor income measures how an economy is doing. Nonfarm income grew rapidly between 2003 and 2006; over 6 percent per year. In 2007 growth started to slow and declined dramatically in 2008 and 2009 as construction activity contracted.

**Figure 3.4: Per Capita Income, Gallatin County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 3.5: Change in Nonfarm Labor Income, Gallatin County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Building activity in Gallatin County remained fairly stable throughout the decade. In 2008, building declined nearly 50 percent. Building activity in 2009 was even worse.

**Table 3.1: Building & Electric Permits, Gallatin County**

### City of Bozeman Building Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	260	50	92	402
2002	289	52	161	502
2003	344	90	172	606
2004	328	118	397	843
2005	337	128	430	895
2006	303	66	282	651
2007	287	80	383	750
2008	128	26	88	242
2009	82	2	94	178

### Town of Belgrade Building Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	28	14	78	120
2002	13	22	34	69
2003	18	12	28	58
2004	16	10	28	54
2005	69	8	39	116
2006	93	10	88	191
2007	43	16	15	74
2008	4	4	20	28
2009	5	2	13	20

### Unincorporated Gallatin County Building and Electrical Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	503	2	36	541
2002	509	10	18	537
2003	639	20	55	714
2004	766	0	56	822
2005	693	4	18	715
2006	609	50	190	849
2007	488	2	61	551
2008	296	8	24	328
2009	177	8	0	185

Source: US Census Bureau, Construction Statistics and Montana Department of Labor and Industry.

## Current State of Gallatin County's Housing Markets

Residential home sales are about half what they were in 2005. Prices have declined over the last two years. The Gallatin Canyon/Big Sky areas experienced the most volatility with price declines of over 50 percent since 2006. Days on market has increased throughout the county.

**Table 3.2: Residential Home Sales, Gallatin County**

<b>Gallatin County Totals</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	1,017	\$189,900		74
2004	1,126	230,000	21.1%	74
2005	1,224	270,000	17.4%	64
2006	1,072	310,000	14.8%	65
2007	959	300,000	-3.2%	89
2008	743	285,500	-4.8%	118
2009	686	258,475	-9.5%	119

<b>Bozeman &amp; surrounding</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	703	\$217,000		69
2004	731	257,500	18.7%	64
2005	816	300,000	16.5%	62
2006	650	340,851	13.6%	62
2007	556	327,250	-4.0%	83
2008	502	308,850	-5.6%	108
2009	460	270,000	-12.6%	114

<b>Belgrade</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	214	\$147,950		70
2004	275	169,000	14.2%	70
2005	280	210,000	24.3%	53
2006	283	237,000	12.9%	66
2007	264	238,750	0.7%	79
2008	157	226,000	-5.3%	108
2009	158	193,750	-14.3%	106

<b>Manhattan</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	32	\$151,750		80
2004	37	173,500	14.3%	81
2005	44	204,486	17.9%	48
2006	53	294,900	44.2%	79
2007	49	245,000	-16.9%	79
2008	27	221,000	-9.8%	129
2009	13	169,000	-23.5%	95

## Gallatin County Real Estate

Year	Three Forks			DOM
	Residential Sales	Median Price	Percent Change	
2003	42	\$115,250		110
2004	42	139,900	21.4%	119
2005	47	149,900	7.1%	60
2006	37	195,000	30.1%	52
2007	31	212,000	8.7%	105
2008	22	197,700	-6.7%	96
2009	23	166,000	-16.0%	90

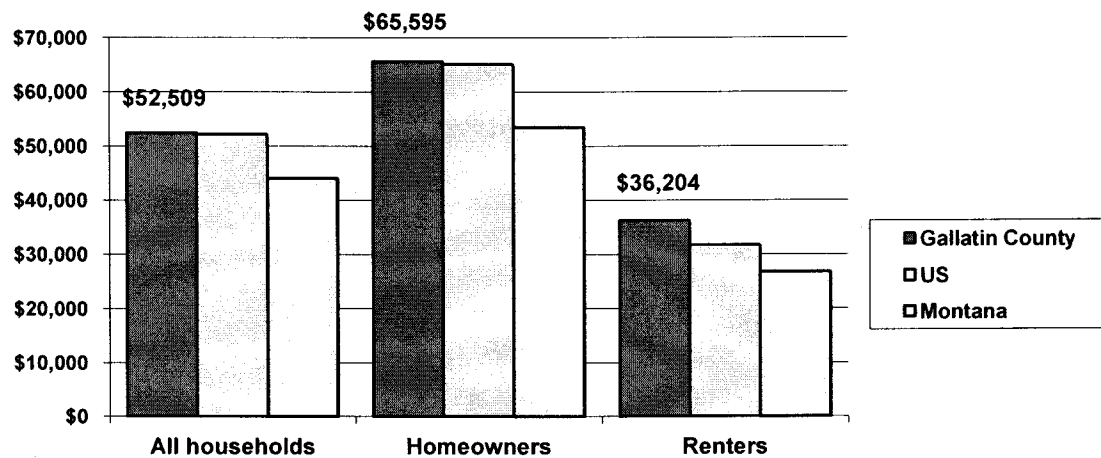
Year	Gallatin Canyon/Big Sky/West Yellowstone			DOM
	Residential Sales	Median Price	Percent Change	
2003	26	\$322,500		183
2004	44	425,000	31.8%	205
2005	47	520,000	22.4%	207
2006	55	1,550,000	198.1%	87
2007	66	1,102,500	-28.9%	179
2008	39	1,100,000	-0.2%	280
2009	41	550,000	-50.0%	244

Source: Gallatin Association of REALTORS®

## Housing Affordability Scorecard

Median incomes in Gallatin County are higher than both Montana and the US. About a quarter of Gallatin County households have incomes over 5 times the Federal Poverty Level. About half of Gallatin County households have income 3 times the Federal Poverty Level. Just over 12 percent of Gallatin households are under the Federal Poverty Level.

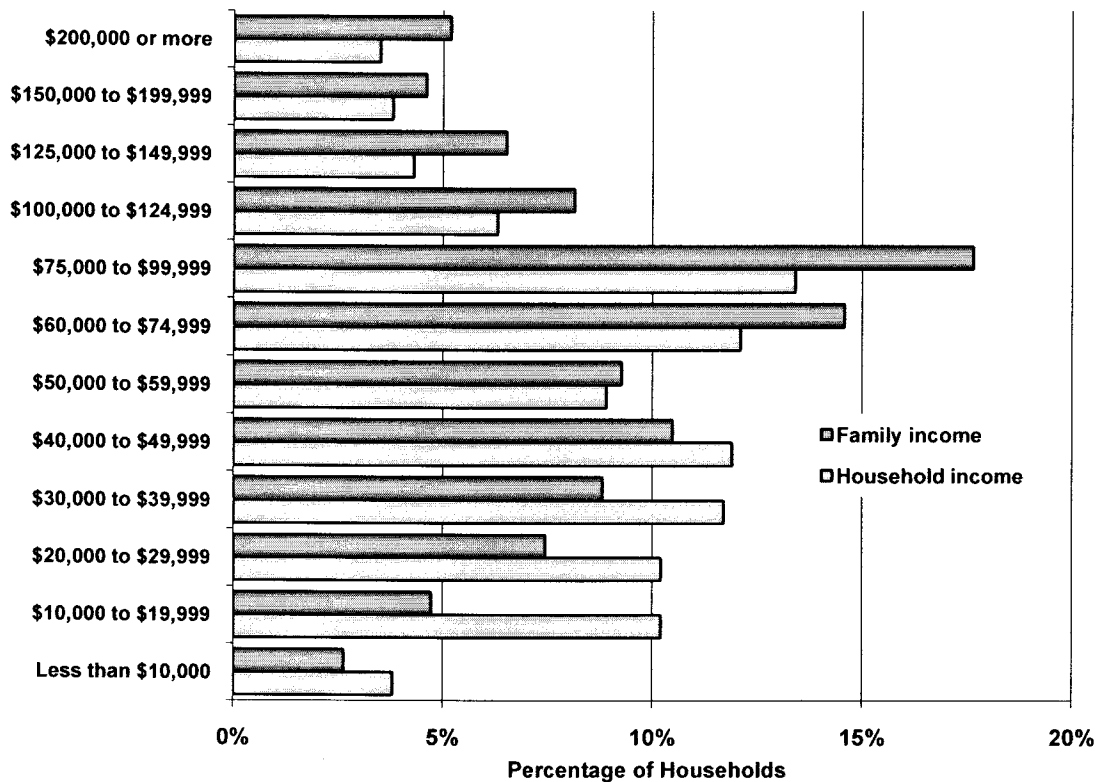
Figure 3.6: Median Household Income, Gallatin County, 2008



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

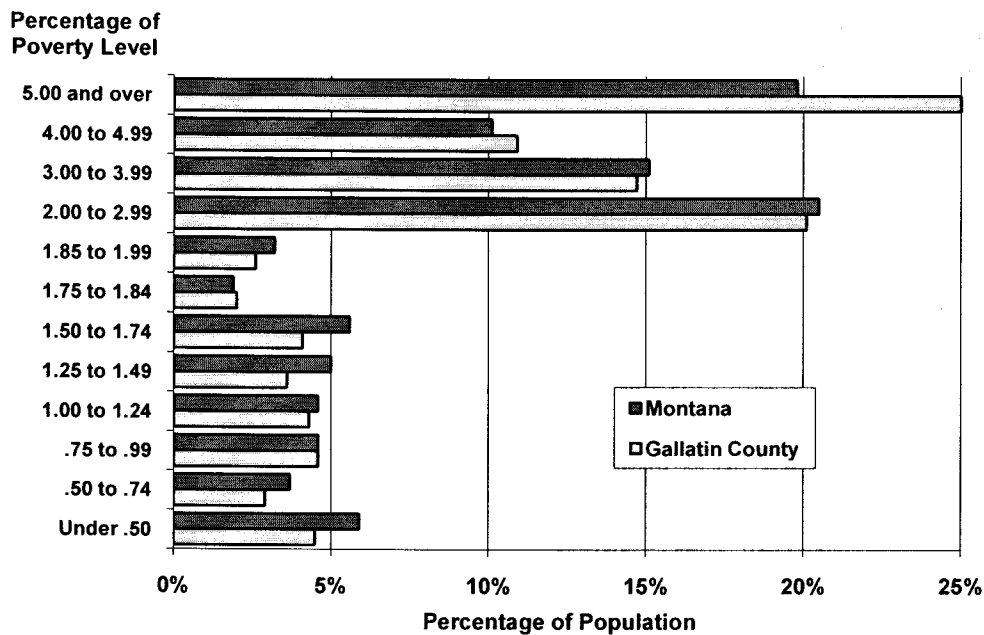


**Figure 3.7: Income Distribution, Gallatin County, 2008**



Source: US Census Bureau, American Community Survey, 2006-2008.

**Figure 3.8: Income as a Ratio of Poverty Level, Gallatin County, 2008**

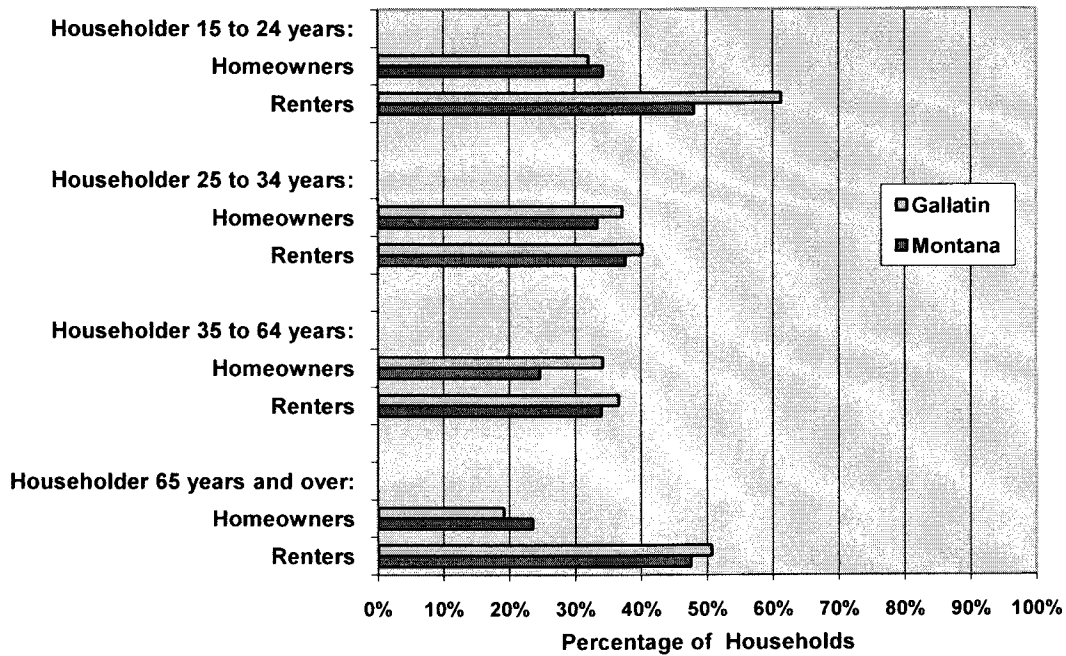


Source: US Census Bureau, American Community Survey, 2006-2008.

## Gallatin County Real Estate

Homeowners paying over 30 percent of their income to housing are above the state average. A majority of renters pay more than 30 percent of their income towards housing.

**Figure 3.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Gallatin County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

## Bozeman Regulatory Costs

Regulatory fees for a 25 lot subdivision of affordable housing in Bozeman are the highest among Montana communities; about \$10,350 per unit. Bozeman impact fees are adjusted by size of dwelling; larger homes pay more. Street impact fees are adjusted for affordability; housing targeted at low income households pays lower street impact fees.

**Table 2.4 Bozeman Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$10,862
Zoning fees	\$1,970	79
Land use permit	250	
Site plan review	250	
Zone map amendment	820	
Zone text amendment	650	
Subdivision fees	5,420	217
Pre-application review	250	
Preliminary Plat 25 lots	1,875	
Final Plat Filing Review	700	
Variance from subdivision standards	700	
Vacation of recorded plats	175	
Plat extension	120	
Improvements agreement	600	
Plat amendments	400	
Condition amendments	600	
Floodplain Determination	500	20
Fire protection review fees	1,580	63
Pre-application review	100	
Preliminary Plat 25 lots	750	
Final Plat Filing Review	150	
Change of preliminary plat conditions	250	
Fire protection water supply testing	330	
Fire sprinkler system plan review and testing		200
Impact fees		9,686
Street(less than 1500 SF and low income)		2,001
Fire		823
Water (3/4 inch water meter)		3,625
Sewer (3/4 inch water meter)		3,237
Permits		597
Building		362
Plan review		235
Mechanical		
Electrical (state)		
Plumbing (state)		

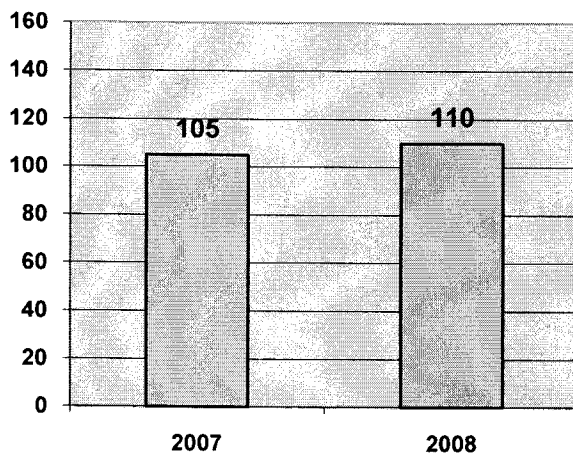
**Lewis & Clark County  
Real Estate**

## Lewis and Clark County At A Glance

The Helena economy is not totally escaping the impacts of the current recession despite it being a “recession proof” government town. The preliminary 2009 data show significant weakness in real estate, construction, and retail trade. Overall, growth in 2009 will be slightly positive. State and federal government workers account for more than 65 percent of the economic base in Lewis and Clark County, and government employment is traditionally less cyclic. The major recession impact will be a state government pay freeze which will reduce growth rates in 2009, 2010, and 2011. If past trends repeat, there may be accelerated growth in 2012 and later as “catch-up” raises are approved.

The stable real estate market in Lewis & Clark County is reflected in the Housing Affordability Index; little year to year change occurred between 2007 and 2008. Lewis & Clark County is one of the markets satisfying the affordability criterion.

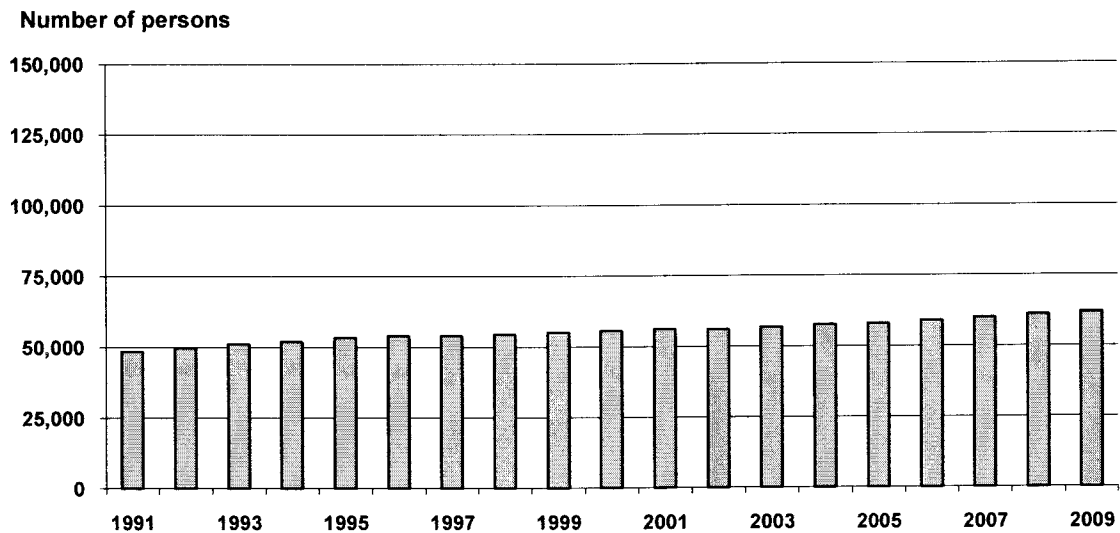
**Figure 4.0: Housing Affordability Index, Lewis & Clark County, 2007 and 2008**



## Factors Driving Demand for Housing in Lewis & Clark County

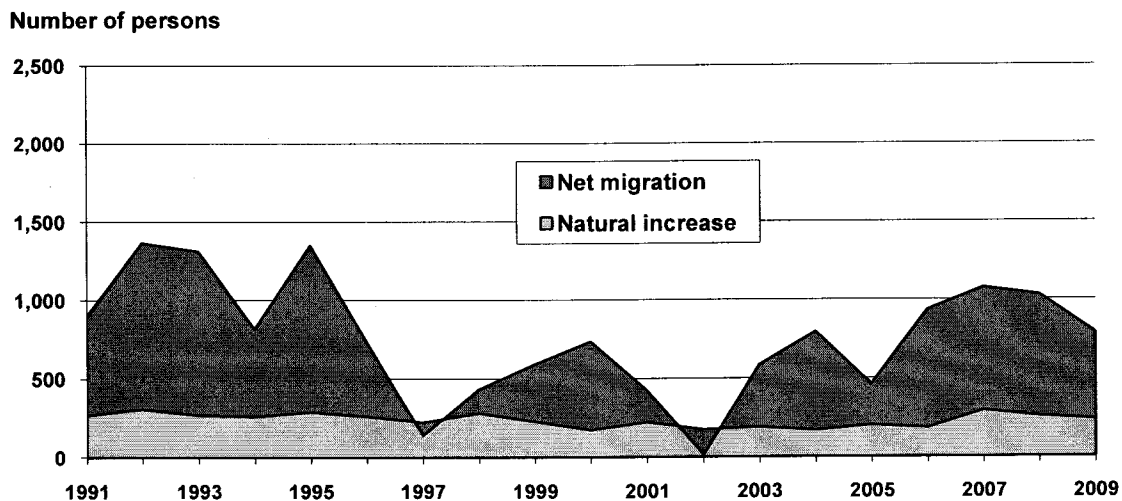
Lewis & Clark County's population continues to grow. Growth is driven by about 750 more persons moving into Lewis & Clark County than move out. Most migrants come from out of state. Broadwater County gets many of the out-migrants so they have not really left the area.

**Figure 4.1: Total Population, Lewis & Clark County, 1991-2008**



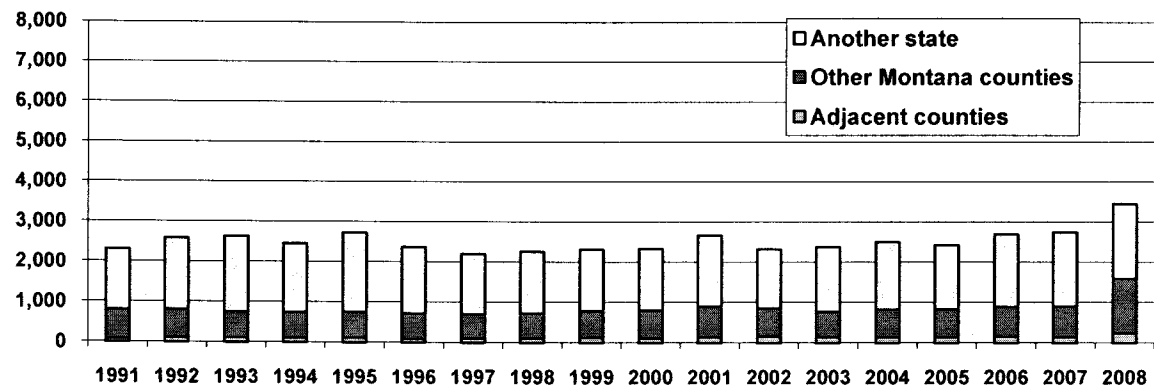
Source: US Census Bureau.

**Figure 4.2: Components of Population Change, Lewis & Clark County, 1991-2008**

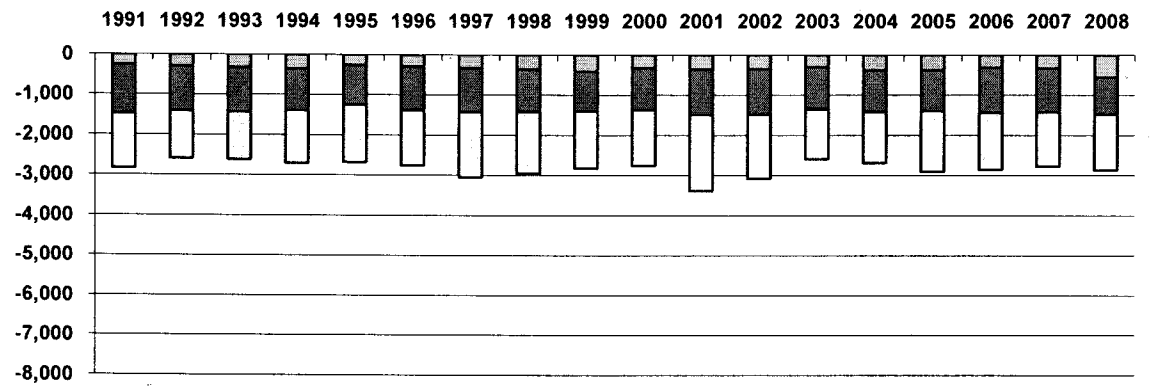


Source: US Census Bureau.

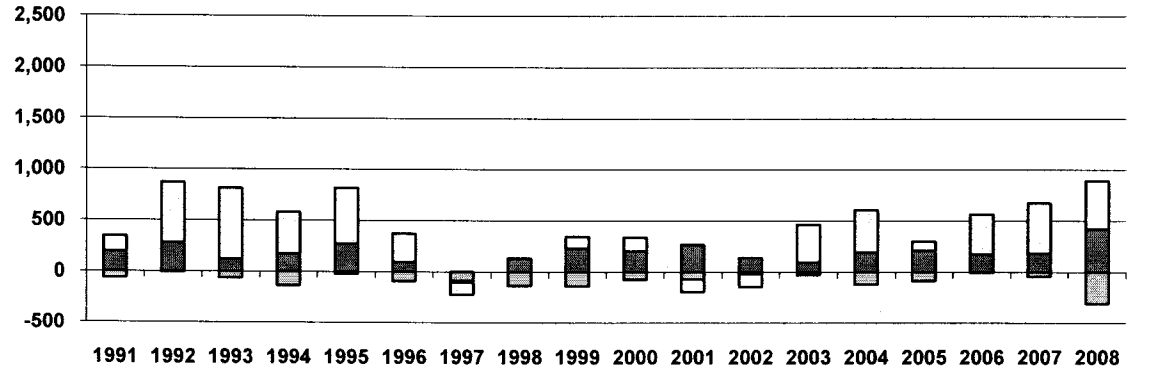
Figure 4.3: Number of Personal Exemptions, Lewis & Clark County, 1991-2008  
In Migration by Source



Out Migration by Source



Net Migration by Source

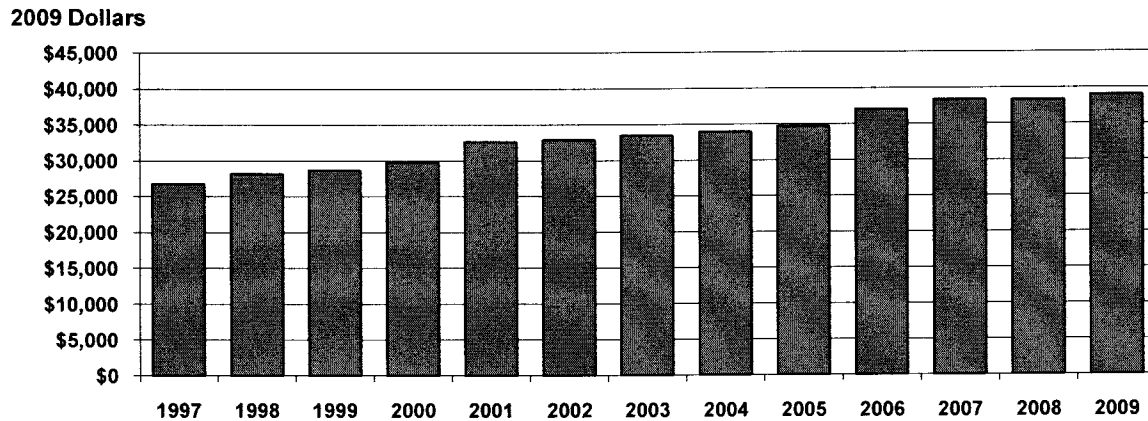


Source: Internal Revenue Service.

## Lewis & Clark County Real Estate

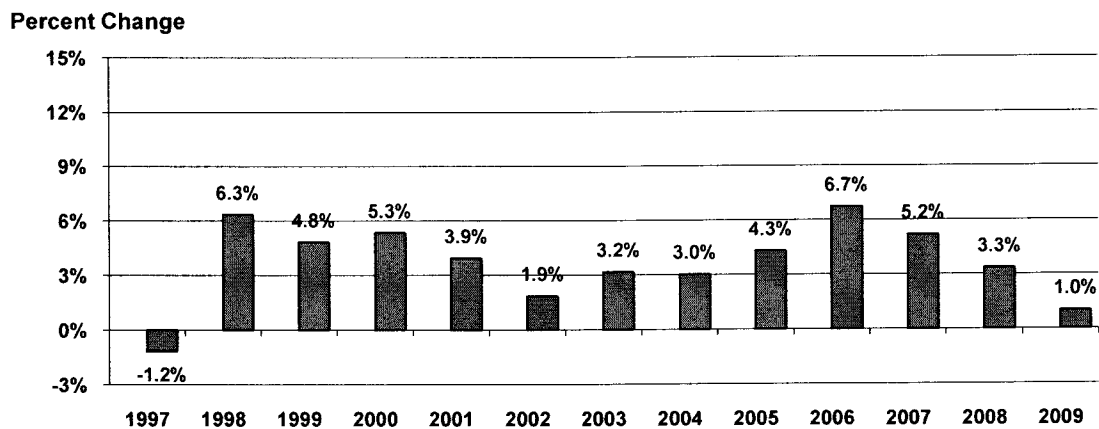
Per capita income of Lewis & Clark County residents increased 16 percent between 2000 and 2009. Nonfarm labor income measures how an economy is doing. Nonfarm income grew throughout the decade. Nonfarm labor income grew only one percent in 2009.

**Figure 4.4: Per Capita Income, Lewis & Clark County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 4.5: Change in Nonfarm Labor Income, Lewis & Clark County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.



## Supply of Housing in Lewis & Clark County

Building activity in Helena as measured by building and electric permits increased rapidly in 2004-2007, but dropped back to near historical levels in 2008.

**Table 4.1: Building and Electric Permits, Lewis & Clark County**

### City of Helena Building Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	56	4	0	60
2002	51	6	46	103
2003	56	6	24	86
2004	99	4	18	121
2005	103	6	58	167
2006	101	14	58	173
2007	60	20	71	151
2008	46	10	21	77
2009	65	6	24	95

### Unincorporated Lewis & Clark County Electric Permits

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	231	0	0	231
2002	266	0	0	266
2003	277	0	24	301
2004	291	0	12	303
2005	309	0	80	389
2006	396	0	4	400
2007	306	2	0	308
2008	180	0	0	180
2009	266	0	0	266

Source: US Census Bureau, Construction Statistics and Montana Department of Labor and Industry.

## Current State of Lewis & Clark County's Housing Market

Prices of residential properties in Lewis and Clark County rose at double digit rates through 2006 as the number of sales increased. In 2007, sales declined but median price increased over 5 percent. Real estate activity was not quite as good through 2009 as both prices and sales declined from 2007.

**Table 4.2: Residential Home Sales, Lewis & Clark County**

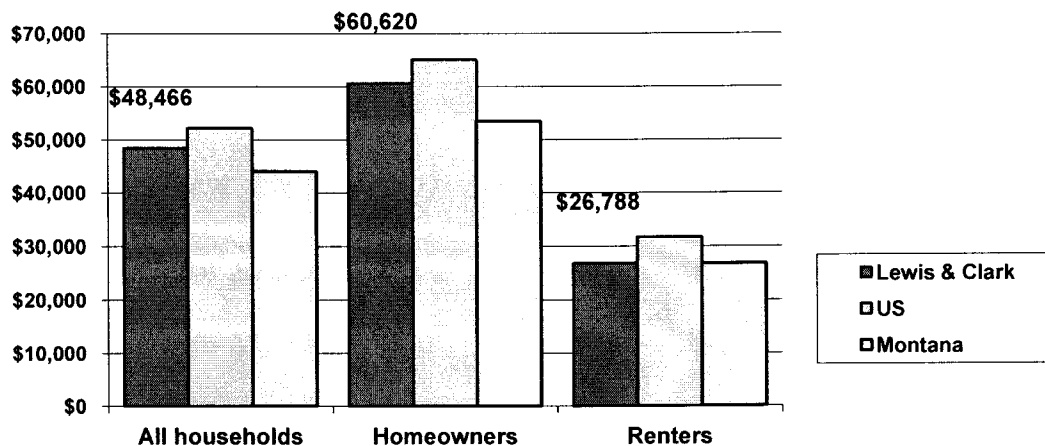
Year	County Totals			DOM
	Residential Sales	Median Price	Percent Change	
2004	650	\$137,500		86
2005	964	161,200	17.2%	94
2006	923	195,000	21.0%	95
2007	839	205,900	5.6%	96
2008	671	203,000	-1.4%	122
2009	690	195,000	-3.9%	124

Source: Helena Multiple Listing Service.

## Housing Affordability Scorecard

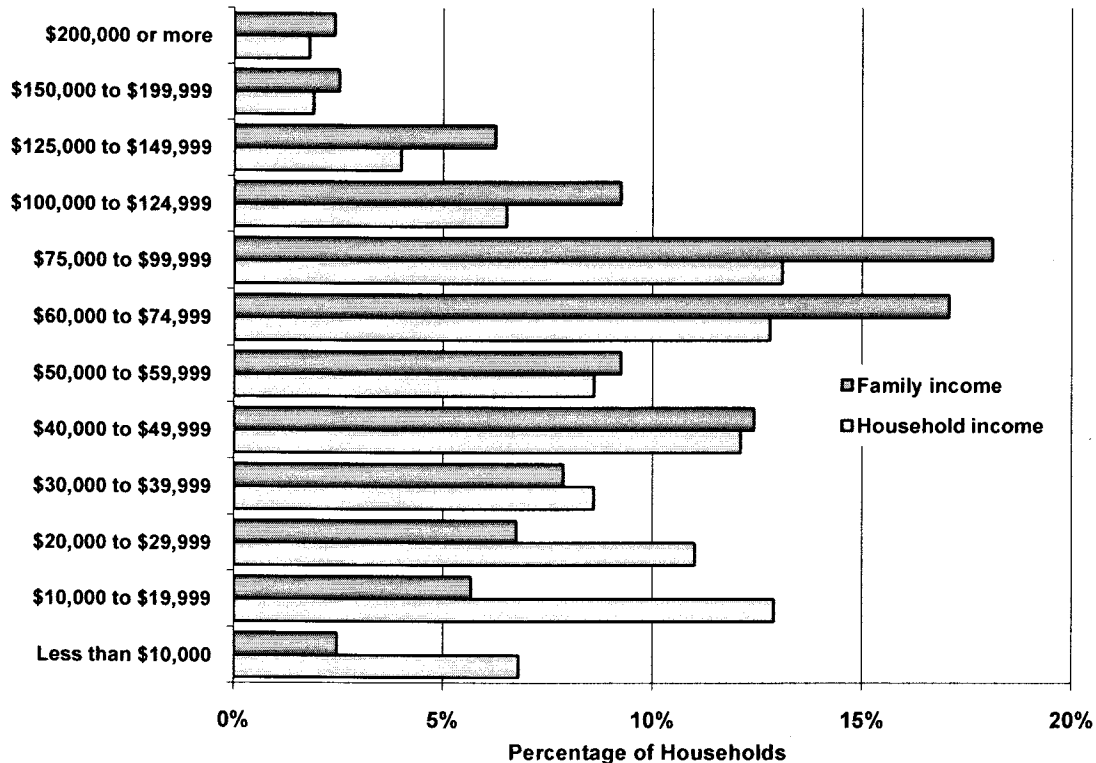
Median household income for Lewis & Clark County households is above the state median income, but below the national figure. Nearly 1 in 4 households have income 5 or more times the Federal Poverty Level. Only 10.3 percent of households live below the poverty level compared to the state poverty level of 14 percent.

**Figure 4.6: Median Household Income, Lewis & Clark County, 2008**



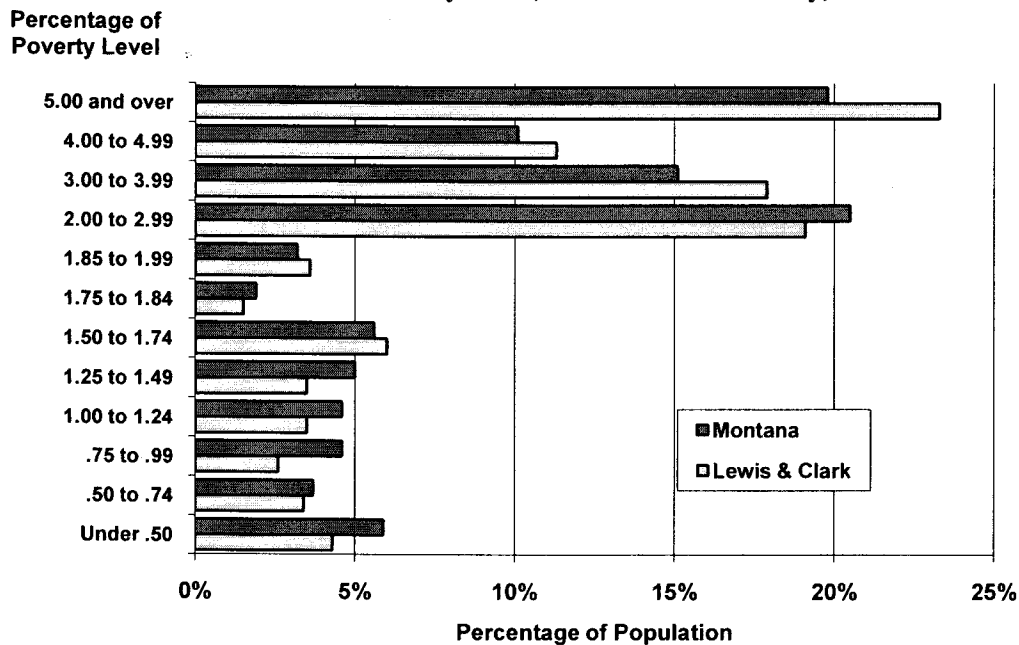
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 4.7: Income Distribution, Lewis & Clark County, 2008**



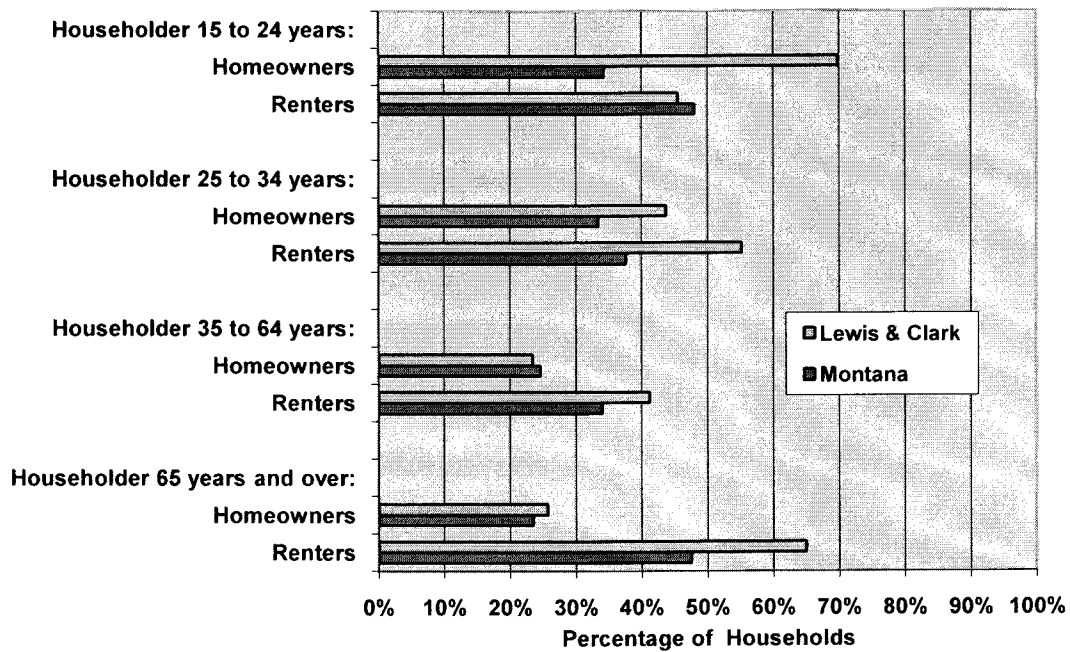
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 4.8: Income as a Ratio of Poverty Level, Lewis & Clark County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 4.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Lewis & Clark County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

## Helena Regulatory Fees

Helena charges about \$2,650 per unit for regulatory fees. A good portion of this is for development and planning of water and sewer systems. Building permits cost about \$1,200.

**Table 4.4 Helena Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		2,652
Zoning fees	760	30
Zone map amendment	410	
Zone text amendment	350	
Subdivision fees	1,175	47
Pre-application review	0	
Preliminary Plat 25 lots	825	
Final Plat Filing Review	100	
Variance from subdivision standards	100	
Vacation of recorded plats	150	
Plat extension	0	
Improvements agreement	0	
Plat amendments	0	
Condition amendments	0	
Floodplain Determination	55	2
Impact fees		1,370
Street		
Fire		
Water (system development fees and hookup fees)		620
Sewer (system development fees and hookup fees)		750
Permits		1,202
Building		623
Plan review		405
Mechanical		
Electrical		175
Plumbing		
Curbs and sidewalks		

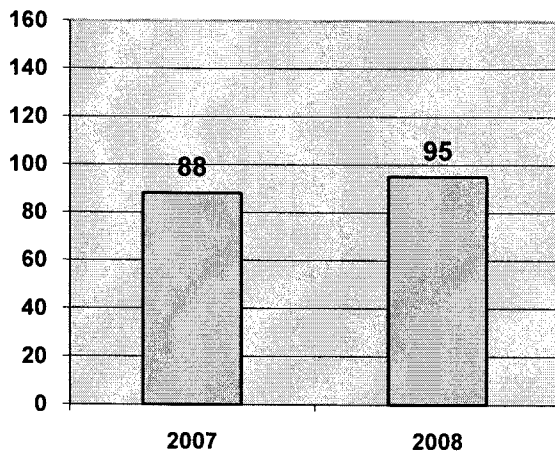
**Missoula County  
Real Estate**

## Missoula County At A Glance

Missoula was the first community in Montana to feel the impact of the recession, and it is likely to last longer in Missoula than elsewhere. The announcement that Smurfit-Stone would close its mill on December 31, 2009, was just the latest shock to the Missoula economy. The first piece of bad news was the shutdown of the Stimson plywood plant in 2007. This was followed in 2008 by the further closing of the Stimson sawmill, combined with cutbacks in transportation and declines in retail trade and services. The projected -0.7 percent decline in 2010 is based on preliminary data and may well be too optimistic. The three straight years of no growth or declines (2008 to 2010) is Missoula's worst economic performance since the early 1980s. The bad news was not solely due to the recession; the Missoula economy has been lagging behind the rest of the state since 2001. Missoula continues as the dominant trade and service center in western Montana, but competition from other communities means that these sectors are contributing much less to local growth. The accelerations in 2012 and 2013 are partially due to the end of the state government wage freeze. It will be at least mid-2011 before Missoula's real nonfarm labor income (an overall measure of the economy) regains its 2007 peak.

Housing affordability as measured by the Housing Affordability Index in Missoula County improved between 2007 and 2008 with recent changes in real estate markets.

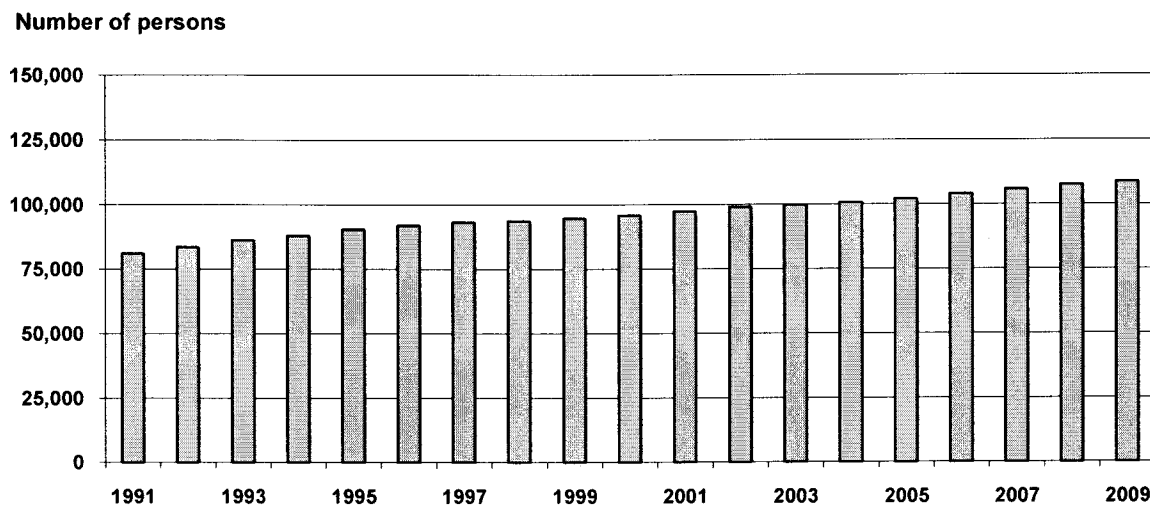
**Figure 5.0: Housing Affordability Index, Missoula County, 2007 and 2008**



## Factors Driving Demand for Housing in Missoula County

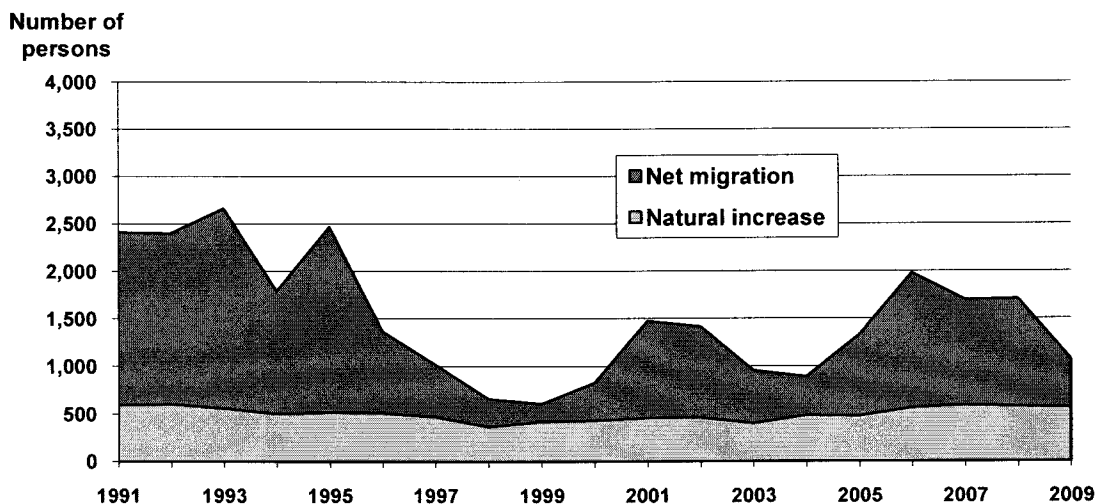
Population in Missoula County continues to grow. It passed 100,000 persons in 2004. Growth is driven by about 500 more persons moving into Missoula County than move out. About 5,500 persons move out and 6,000 move in annually. A change in migration trends occurred in 2007. More people moved to Missoula County from Ravalli County than the other direction for the first time in 2 decades.

**Figure 5.1: Total Population, Missoula County; 1991-2009**



Source: US Census Bureau.

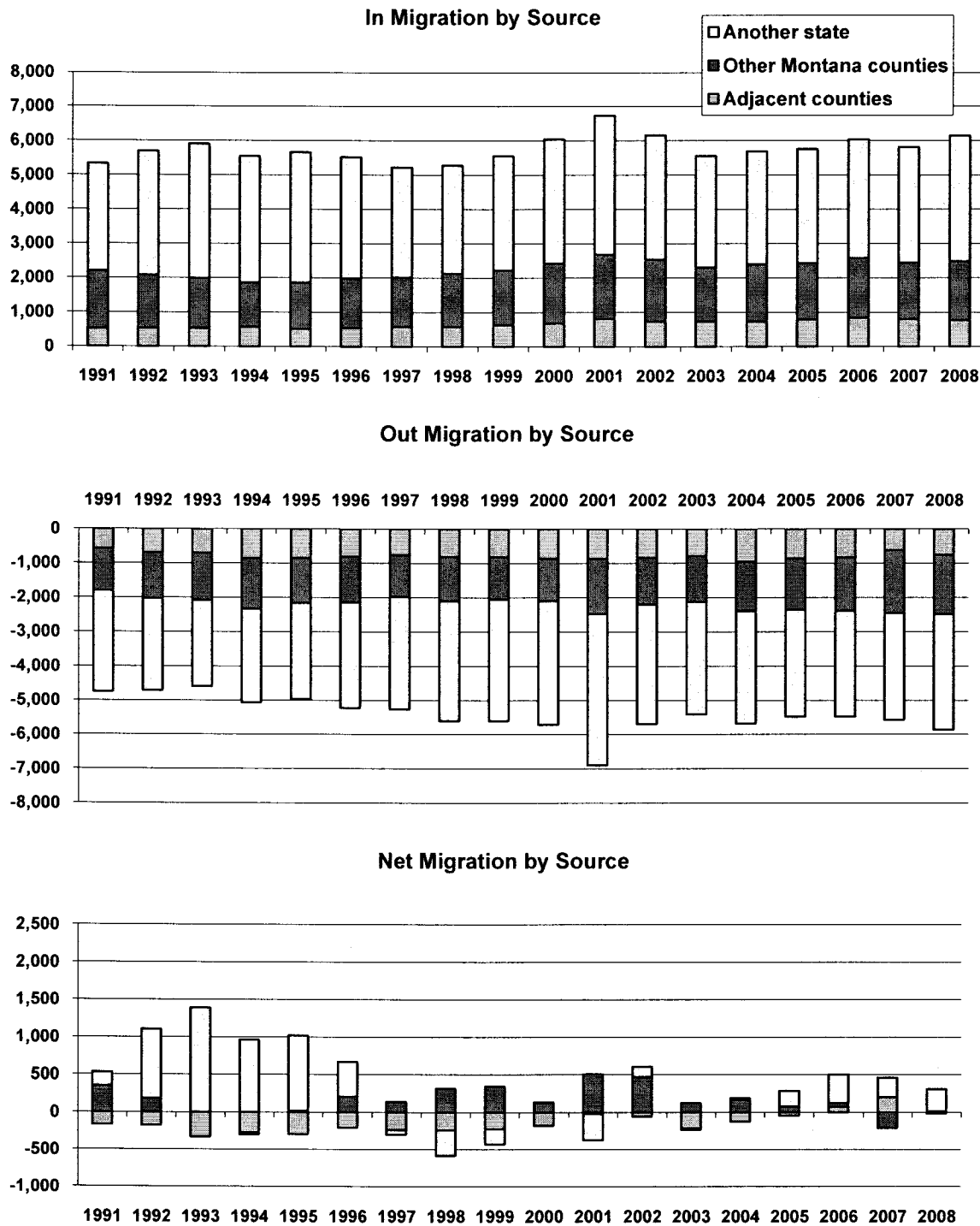
**Figure 5.2: Components of Population Change, Missoula County, 1991-2009**



Source: US Census Bureau.



Figure 5.3: Number of Personal Exemptions, Missoula County, 1991-2008

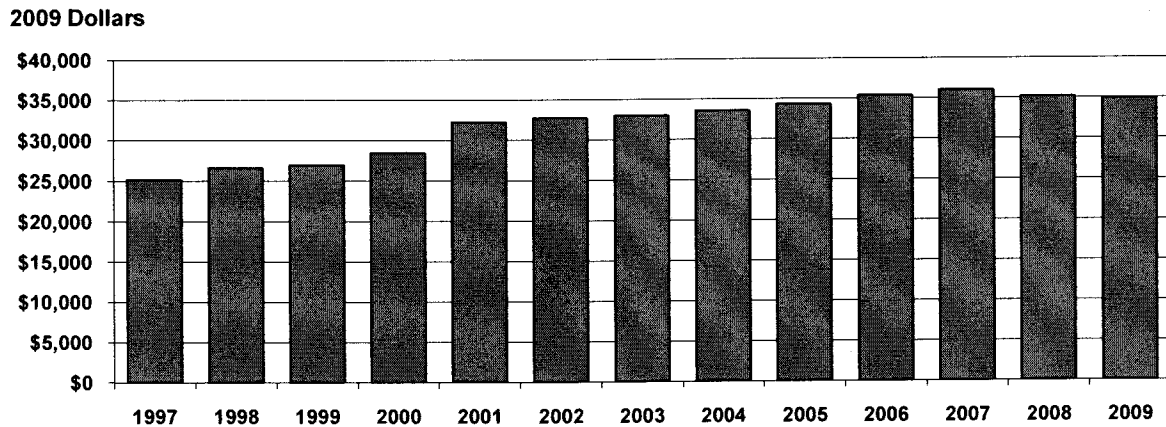


Source: US Internal Revenue Service.

## Missoula County Real Estate

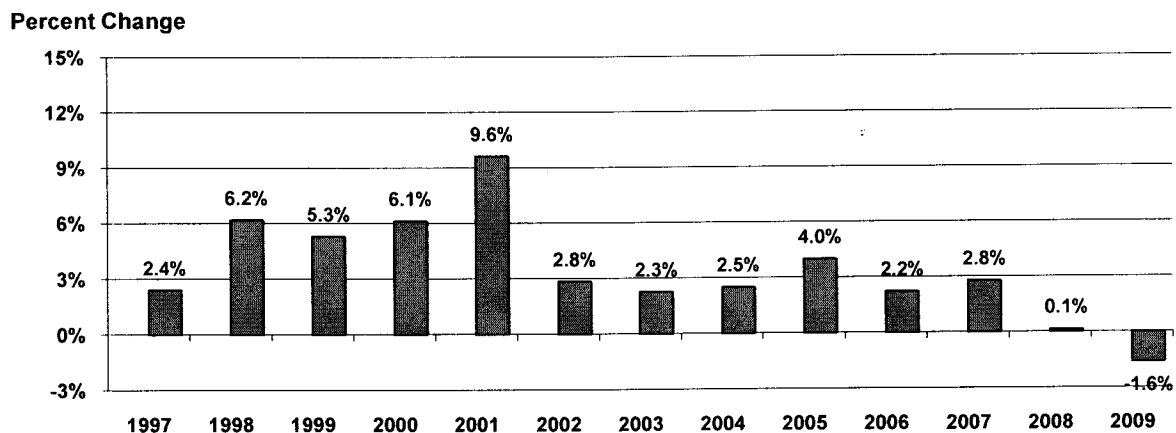
Per capita income is the average income for every person in an area. It increased annual through 2007, but has remained constant the last two years. Nonfarm labor income measures how an economy is doing. Growth in real non-farm labor income has remained positive in Missoula County since 2000. It has tended to hover around 2.5 percent until 2007 when a large increase occurred due to the opening of Direct TV. Nonfarm labor income was constant in 2008 and declined in 2009.

**Figure 5.4: Per Capita Income, Missoula County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 5.5: Change in Nonfarm Labor Income, Missoula County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Building permits in Missoula County remained fairly stable throughout the decade. In 2008 permit levels are about two-thirds 2007 numbers with further declines in 2009.

**Table 5.1: Building Permits, Missoula County**

**City of Missoula Building Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	280	20	220	520
2002	396	98	633	1127
2003	428	110	409	947
2004	396	30	158	584
2005	451	28	87	566
2006	310	38	75	423
2007	293	14	128	435
2008	186	20	94	300
2009	134	8	4	146

**Unincorporated Areas of Missoula County Building Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2005	40	0	32	72
2006	93	2	0	95
2007	220	0	12	232
2008	137	2	0	139
2009	73	6	0	79

Source: US Census Bureau, Construction Statistics.

## Current State of Missoula County's Housing Market

Sales of single family residences in 2008 were down sharply from 2007. Sale rose slightly in 2009. Prices rose between 6 and 10 percent each year until 2007. Current median price of a recently sold home in Missoula County is down 5 percent from 2007 prices.

**Table 5.2: Residential Home Sales, Missoula County**

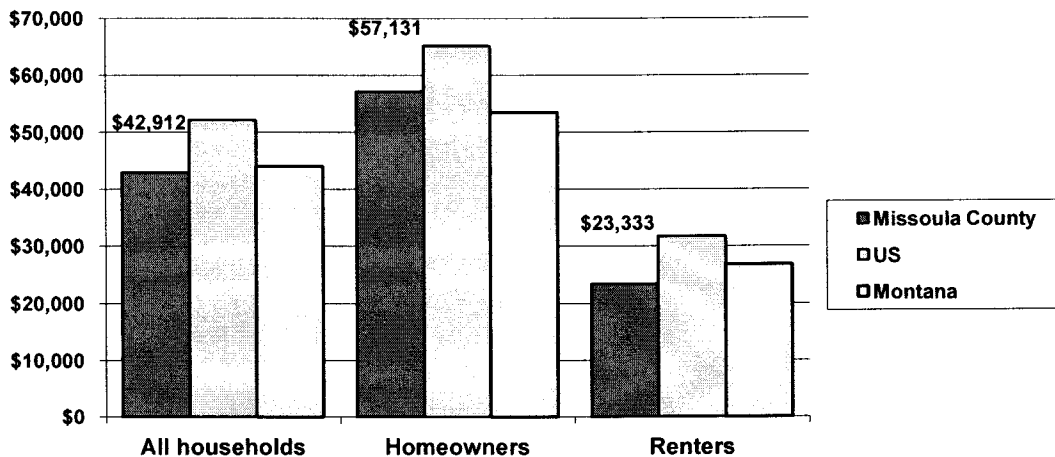
Year	Residential Sales	Median Price	Percent Change	DOM
2001	1,211	\$138,000		107
2002	1,119	149,500	8.3%	93
2003	1,150	163,000	9.0%	104
2004	1,290	179,000	9.8%	102
2005	1,536	192,000	7.3%	109
2006	1,586	206,850	7.7%	110
2007	1,385	219,550	6.1%	116
2008	994	215,000	-2.1%	117
2009	1,023	208,775	-2.9%	129

Source: Missoula Organization of Realtors

## Housing Affordability Scorecard

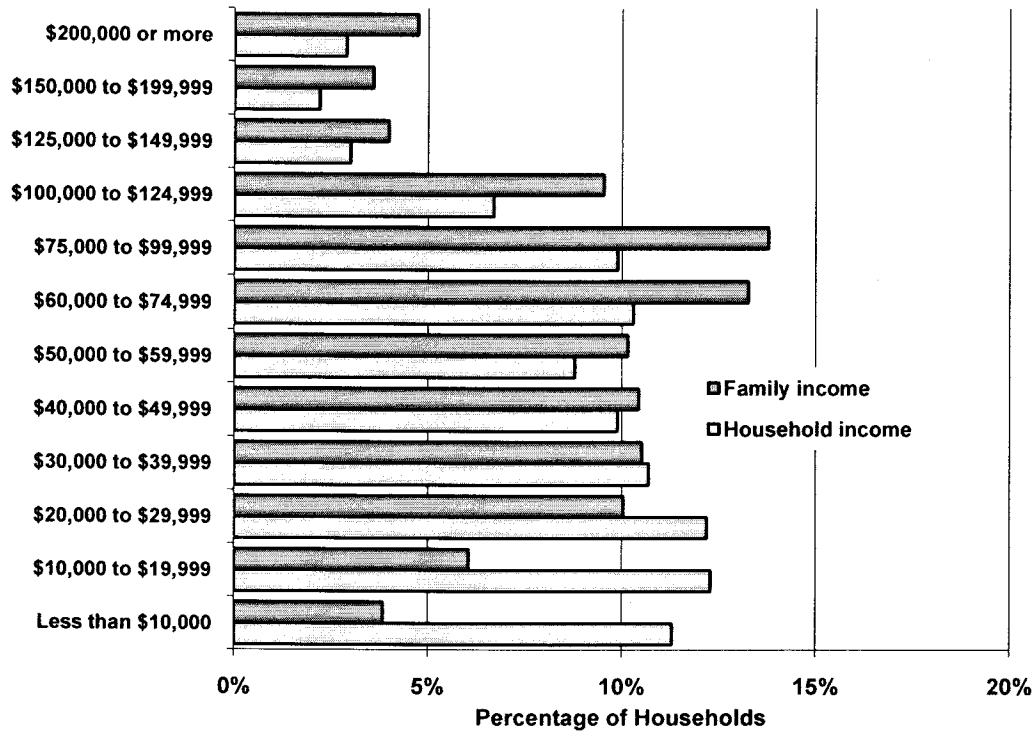
Median household income in Missoula County is about the same level as the state number. Median income of Missoula county households that live in their own home is higher than Montana but renters median income is lower, reflecting the substantial college student population in Missoula County. Over 17 percent of Missoula County households live under the Federal Poverty Level compared to 14 percent of Montana households.

**Figure 5.6: Median Household Income, Missoula County, 2008**



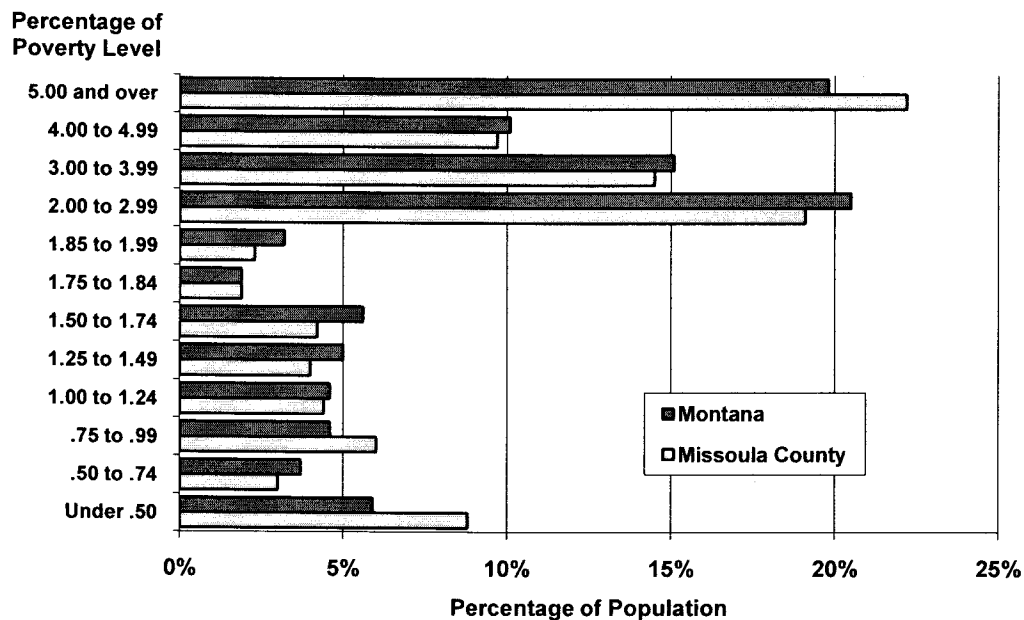
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 5.7: Income Distribution, Missoula County, 2008**



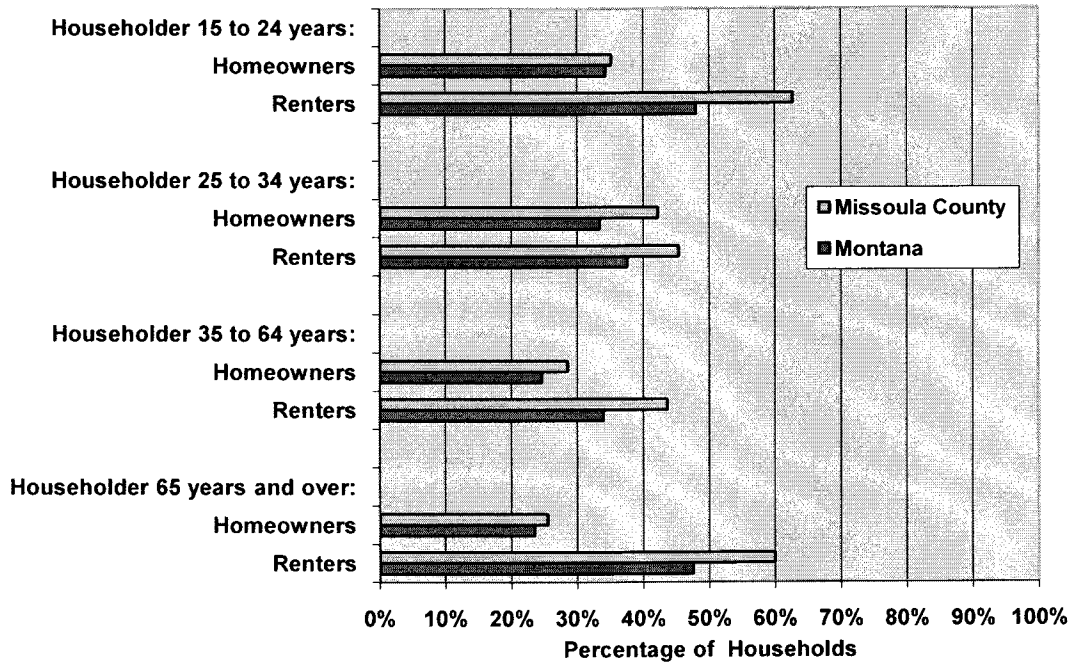
Source: US Census Bureau, American Community Survey, 2006-2008.

**Figure 5.8: Income as a Ratio of Poverty Level, Missoula County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 5.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Missoula County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

A large portion of Missoula County households pay more than 30 percent of their income for housing. The problem is especially acute for renter households of all ages.

## Missoula Regulatory Fees

Regulatory fees for a 25 lot subdivision of affordable housing come to about \$4,600 per unit. Unlike other Montana communities with impact fees, Missoula City permitting fees make up a substantial part of the regulatory fees.

**Table 5.4: Missoula Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$4,607
Subdivision fees		468
Preliminary Plat 25 lots	\$8,500	
Final Plat Filing Review	364	
Variance from subdivision standards	500	
Vacation of recorded plats	608	
Plat extension	216	
Amended phasing plan	274	
Plat amendments	624	
Condition amendments	624	
Engineering Review Fees	568	23
Floodplain Determination	33	1
Impact fees		1,405
Permits		1,355
Building		714
Plan review		143
Mechanical		109
Electrical		260
Plumbing		129

**Ravalli County  
Real Estate**

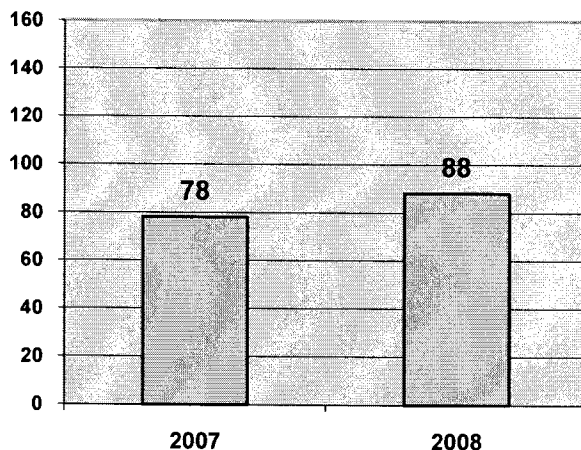


## Ravalli County At A Glance

The real estate and construction bubbles were not as prominent in Ravalli County as in Gallatin and Flathead counties. Nevertheless, when it burst it was with a bang. Nonfarm labor income turned negative in 2008, and the preliminary data suggest the declines continued in 2009. By mid-2009, Ravalli County construction employment was down by 40 percent (or more than 400 workers) from its peak in 2006 and 2007. In addition, the doldrums in the U.S. housing market significantly impacted the local wood products industry, especially the log home manufacturers who were producing for the high-end market. In addition, the slowdown in nearby Missoula also contributed because of the large number of workers who live in Ravalli County but commute to jobs across the county line. The slight positive growth forecast by BBER for 2010 may be too optimistic. The one bright spot is that Hamilton continues to evolve into a regional trade and service center, with the presence of major retailers and growth in selected services.

The volatile real estate market in Ravalli County is reflected in the Housing Affordability Index; real estate was somewhat more affordable in 2008 than 2007. Ravalli County still remains one of the more unaffordable real estate markets in Montana.

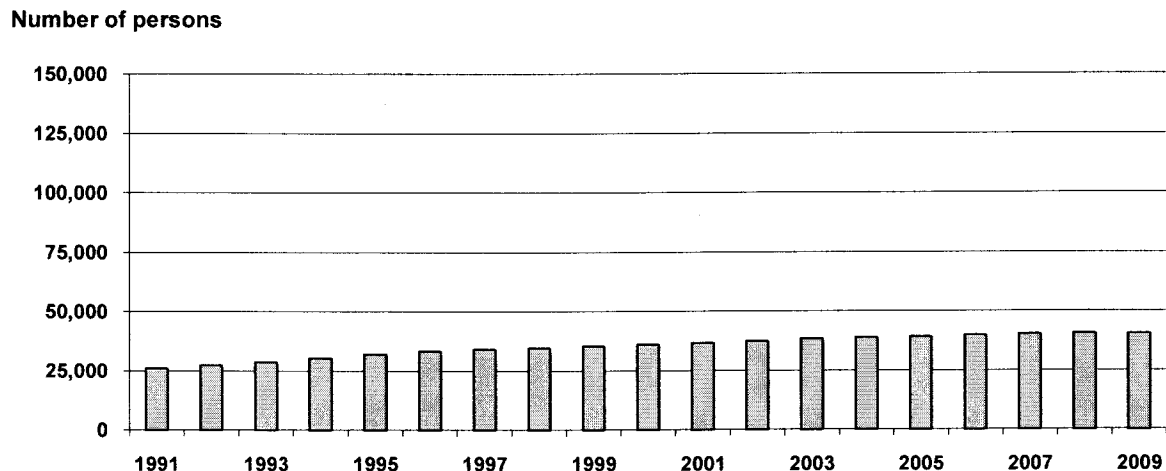
**Figure 7.0: Housing Affordability Index, Ravalli County, 2007 and 2008**



## Factors Driving Demand for Housing in Ravalli County

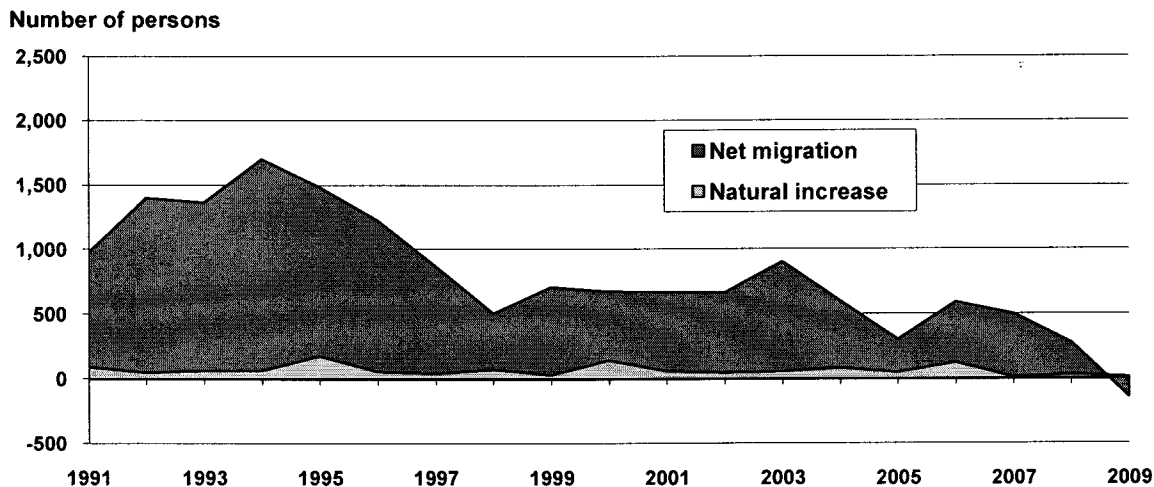
Ravalli County has been one of the fastest growing counties in Montana. Population growth is driven by about 500 more persons moving into Ravalli County than move out. Until recently, about a third of migrants to Ravalli County came from Missoula County. Now, nearly all new residents in Ravalli County come from other states. In 2009, net migration was negative.

**Figure 6.1: Total Population, Ravalli County; 1991-2009**



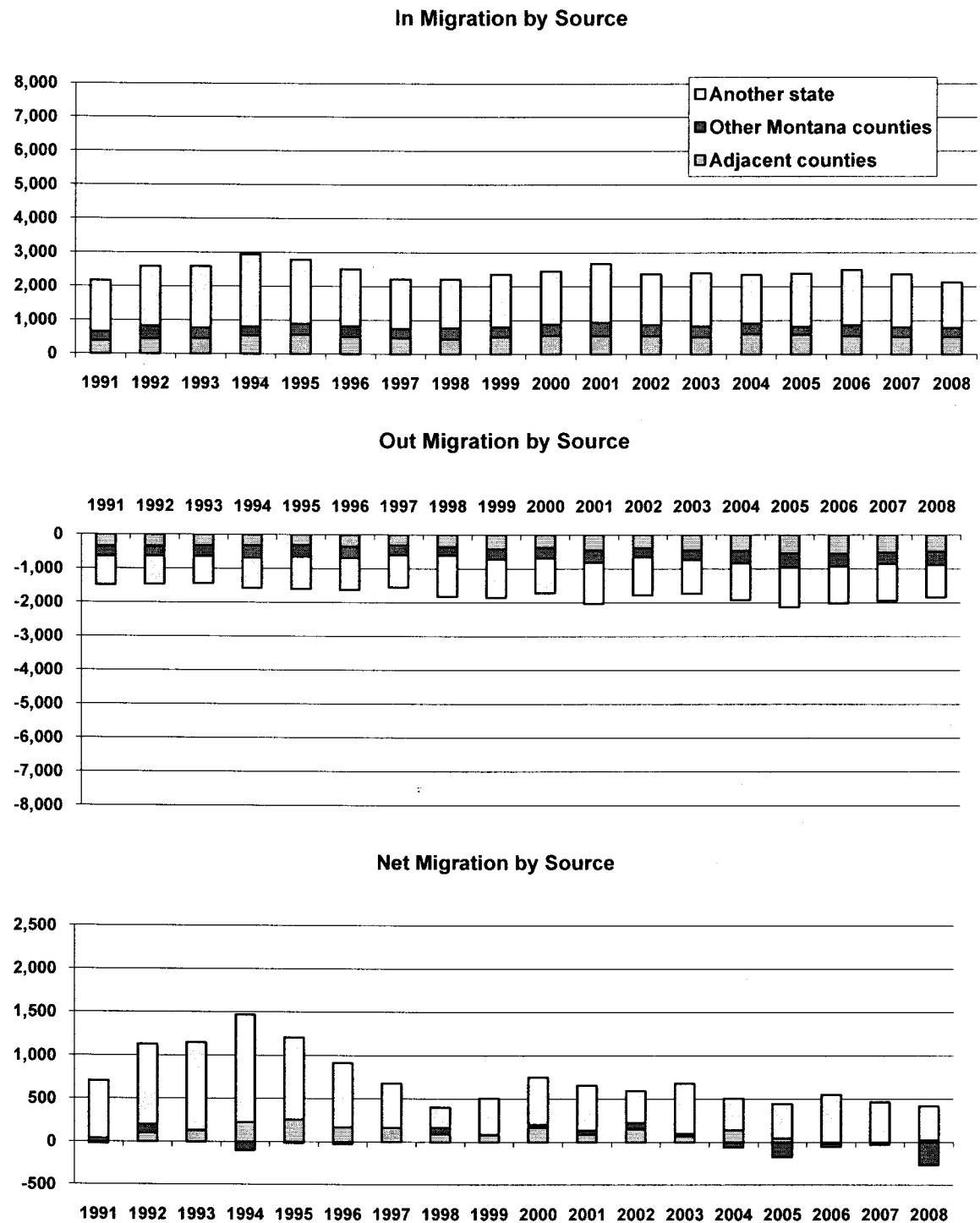
Source: US Census Bureau.

**Figure 6.2: Components of Population Change, Ravalli County, 1991-2009**



Source: US Census Bureau.

Figure 6.3: Number of Personal Exemptions, Ravalli County, 1991-2008

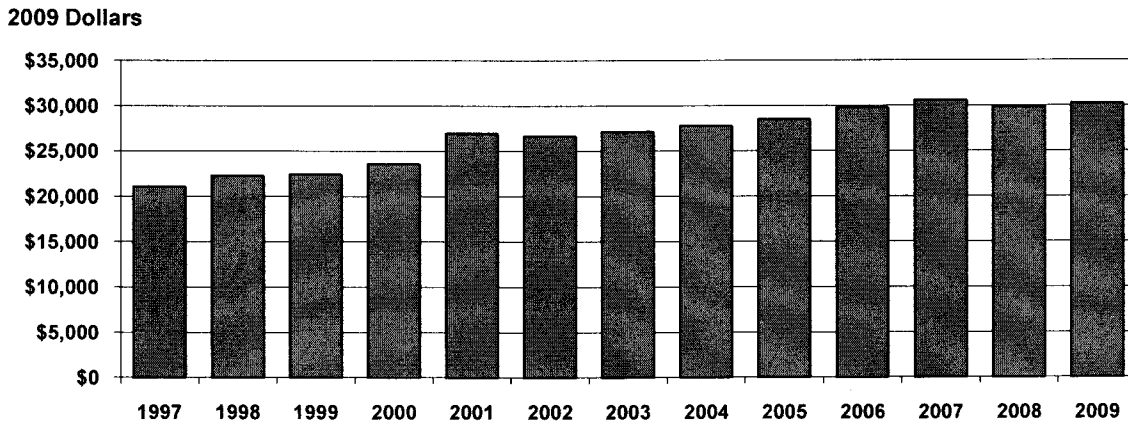


Source: Internal Revenue Service.

## Ravalli County Real Estate

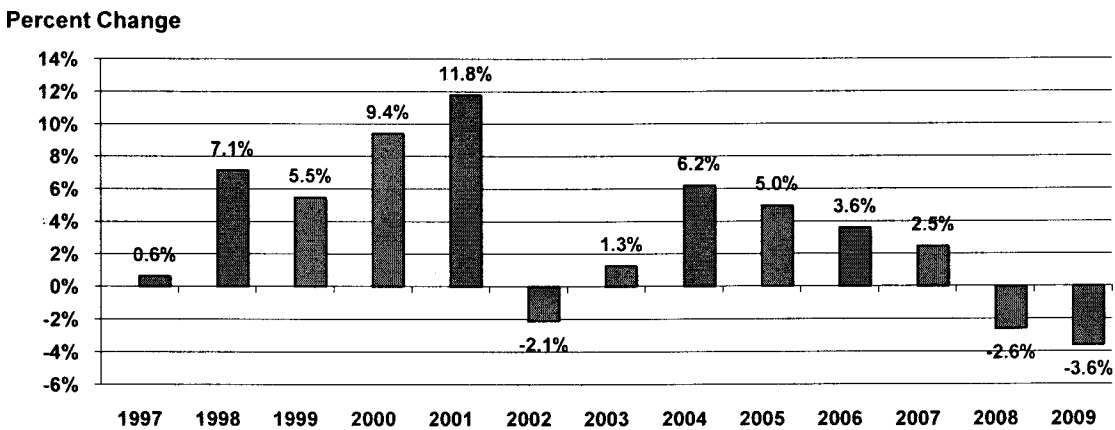
Per capita income in Ravalli County increased 15 percent between 2000 and 2007. Growth in per capita income has stagnated the last two years. Nonfarm labor income measures how an economy is doing. Recent growth in nonfarm income peaked in 2004 and has declined since.

**Figure 6.4: Per Capita Income, Ravalli County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 6.5: Change in Nonfarm Labor Income, Ravalli County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Ravalli County

Ravalli County building activity in 2009 was only a fifth of the peak in 2005. The economy and problems with subdivision review and regulation are two of the causes.

**Table 6.1: Electric Permits, Ravalli County**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	396	6	20	422
2002	394	6	65	465
2003	346	8	48	402
2004	362	4	23	389
2005	446	10	36	492
2006	402	0	3	405
2007	303	4	13	320
2008	197	0	37	234
2009	108	0	0	108

Source: Montana Department of Labor and Industry.

## Current State of Ravalli County's Housing Market

Residential home sales in Ravalli County peaked in 2005 at over 1,000 units. Prices peaked in 2007. Residential sales are down by over 50 percent and median price declined 6 percent in 2008 and another 10.5 percent in 2009.

**Table 6.2: Residential Home Sales, Ravalli County**

Year	Residential Sales	Median Price	Percent Change	DOM
2001	584	\$142,750		223
2002	717	138,000	-3.3%	208
2003	757	157,000	13.8%	197
2004	865	168,000	7.0%	161
2005	1,010	189,000	12.5%	145
2006	872	215,000	13.8%	137
2007	821	227,000	5.6%	167
2008	461	213,400	-6.0%	293
2009	379	191,000	-10.5%	279

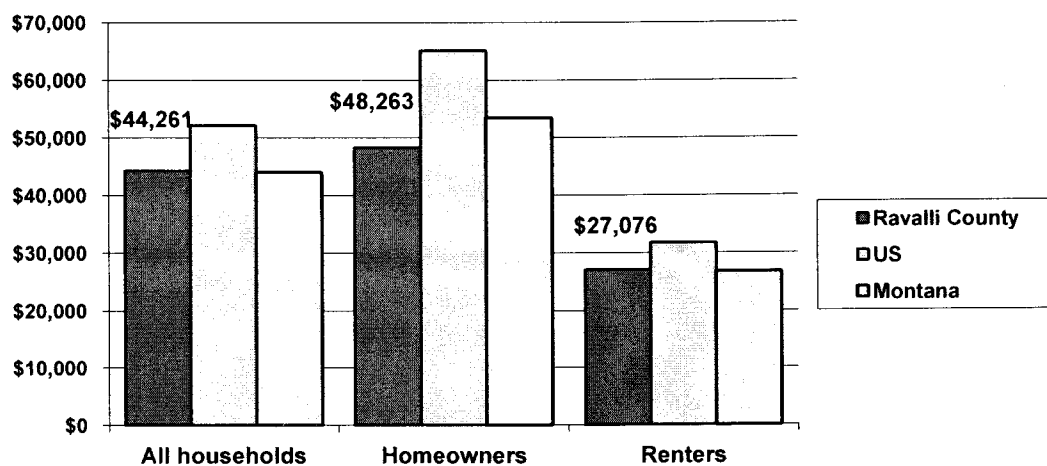
Source: Bitterroot Valley Board of Realtors.

## Housing Affordability Scorecard

Median household income for all households is right on the state median, but well below the national median income. Homeowner households have median incomes well below state householders.

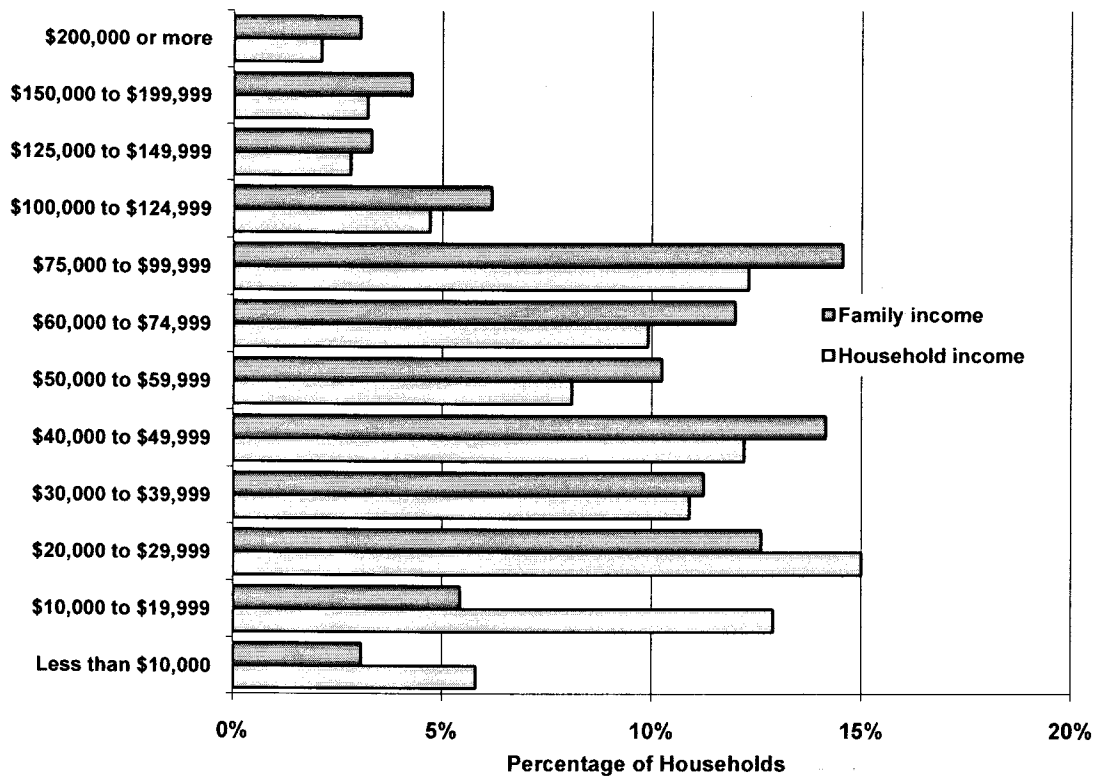
About 12.3 percent of Ravalli County households live below the Federal Poverty Level.

**Figure 6.6: Median Household Income, Ravalli County, 2008**



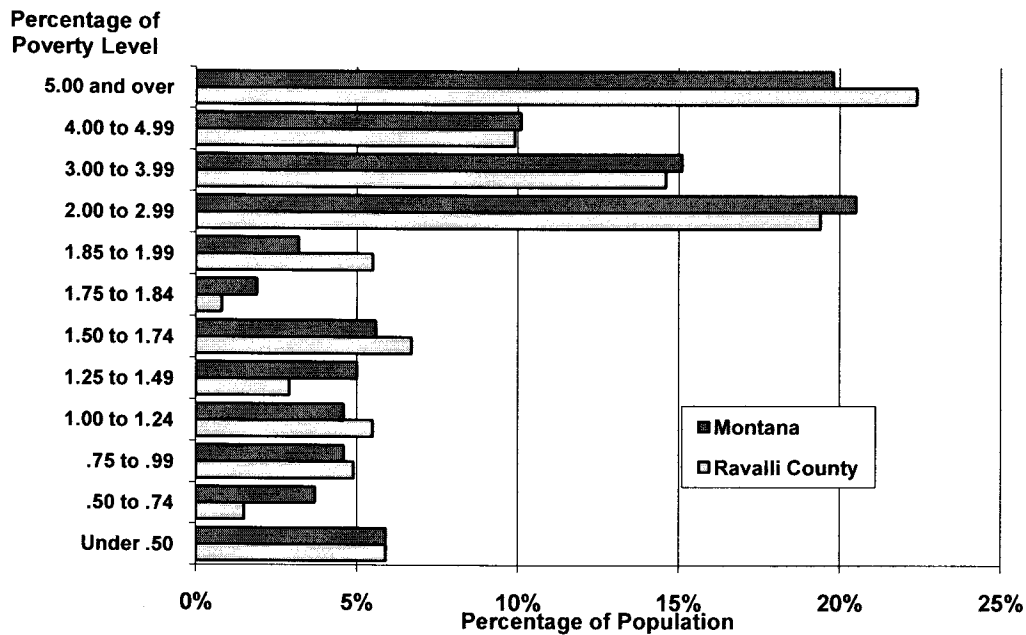
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 6.7: Income Distribution, Ravalli County, 2008**



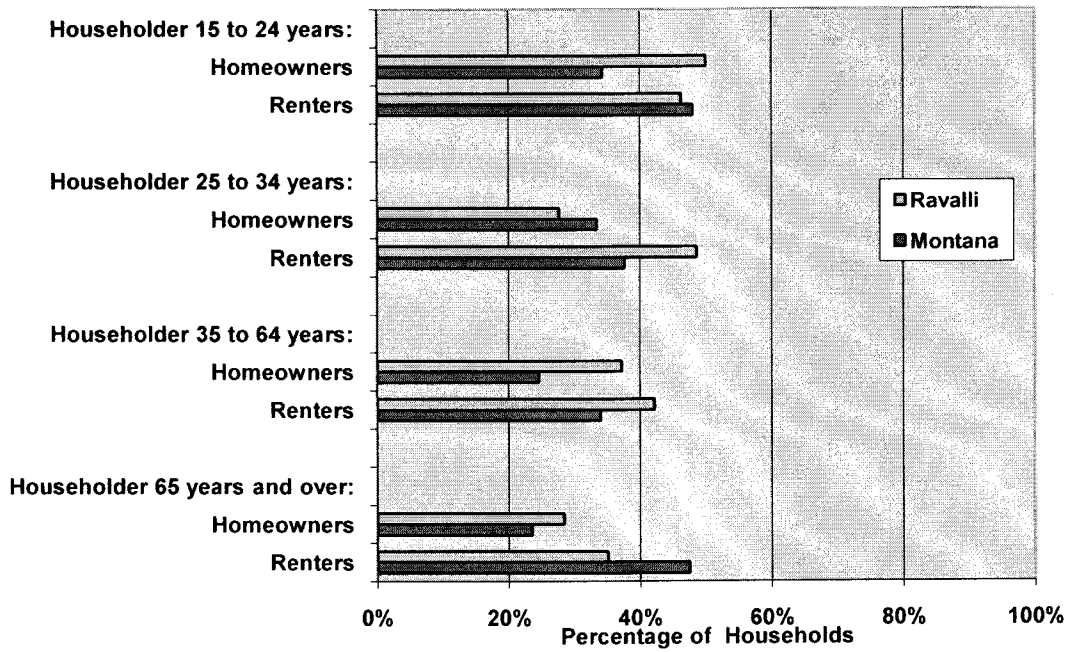
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 6.8: Income as a Ratio of Poverty Level, Ravalli County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 6.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Ravalli County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.



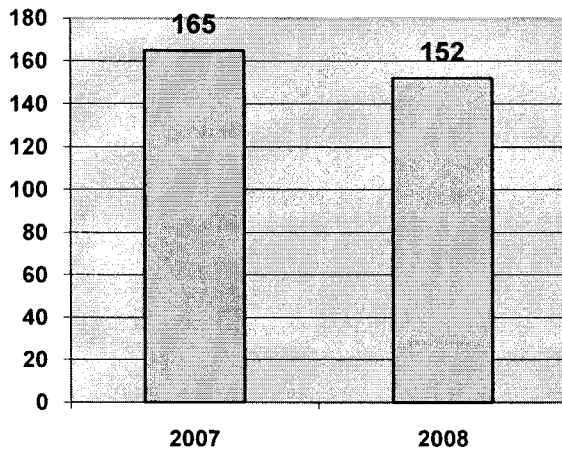
**Butte-Silver Bow County  
Real Estate**

## Butte-Silver Bow County At A Glance

The continued worldwide energy/commodity boom appeared at first to insulate the Butte economy from the current recession. The 4.5 percent growth in 2008 was the highest among Montana's major urban areas. The figures for late 2008 indicated a distinct softening and the preliminary data for 2009 show an overall decline. The final numbers are not yet in, but there appears to have been declines in mining, transportation (mostly trucking), real estate and construction, and retail trade. Our forecast assumes that the Montana Resources mine remains open and operating at about current levels, but that employee bonuses reflect changes in the price of copper. The trade center components of Butte's economic base (retail trade and services) continue to grow, reflecting the city's continued development as a regional trade and service center.

Butte-Silver Bow County is the most affordable housing market in major Montana real estate markets.

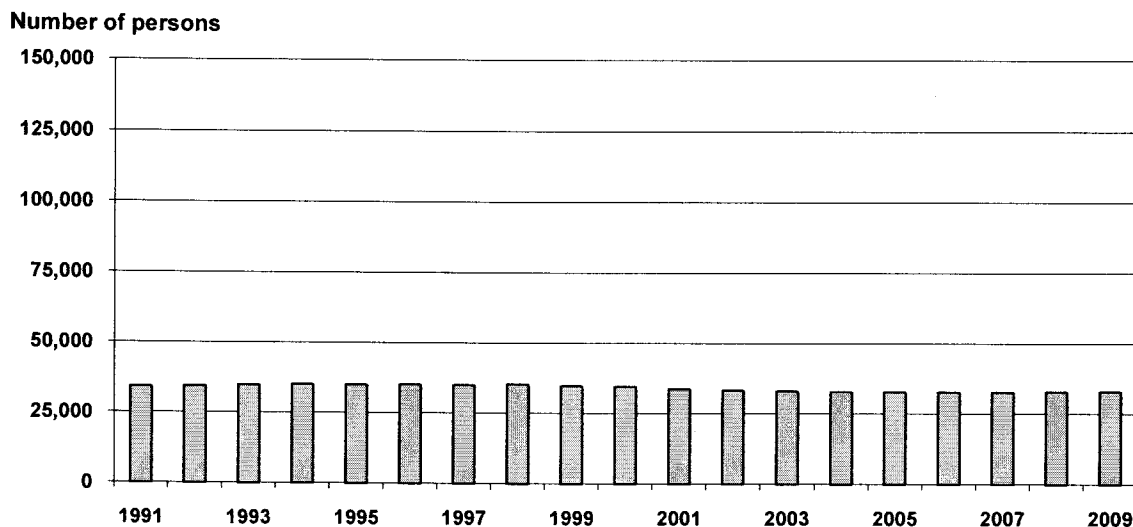
**Figure 7.0: Housing Affordability Index, Butte-Silver Bow County, 2007 and 2008**



## Factors Driving Demand for Housing in Butte-Silver Bow County

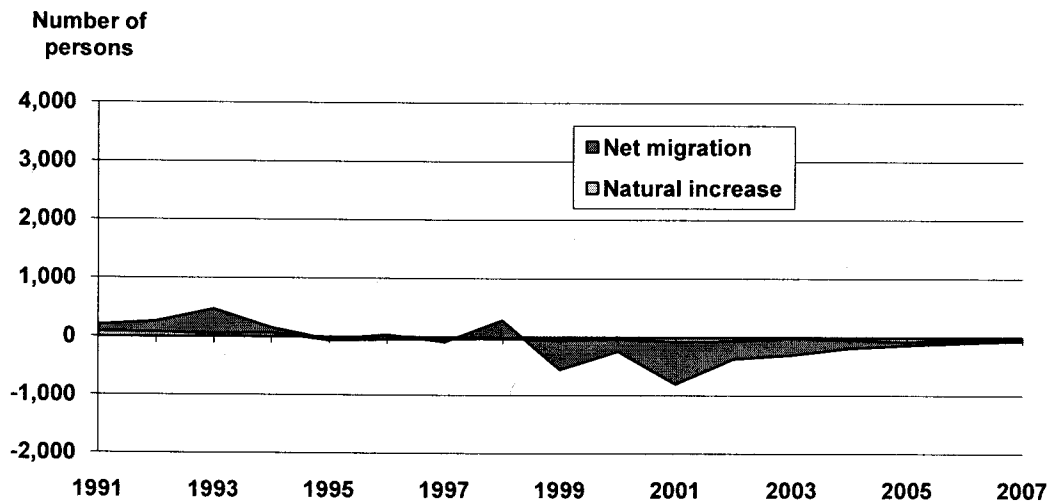
Butte-Silver Bow County has not experienced any population growth in the last decade. Butte-Silver Bow is an anomaly among Montana's urban counties in that more people are dying than being born in the county. Butte is losing more people to migration than other urban counties. Most migrants are moving to other Montana counties.

**Figure 7.1: Total Population, Butte-Silver Bow County; 1991-2009**



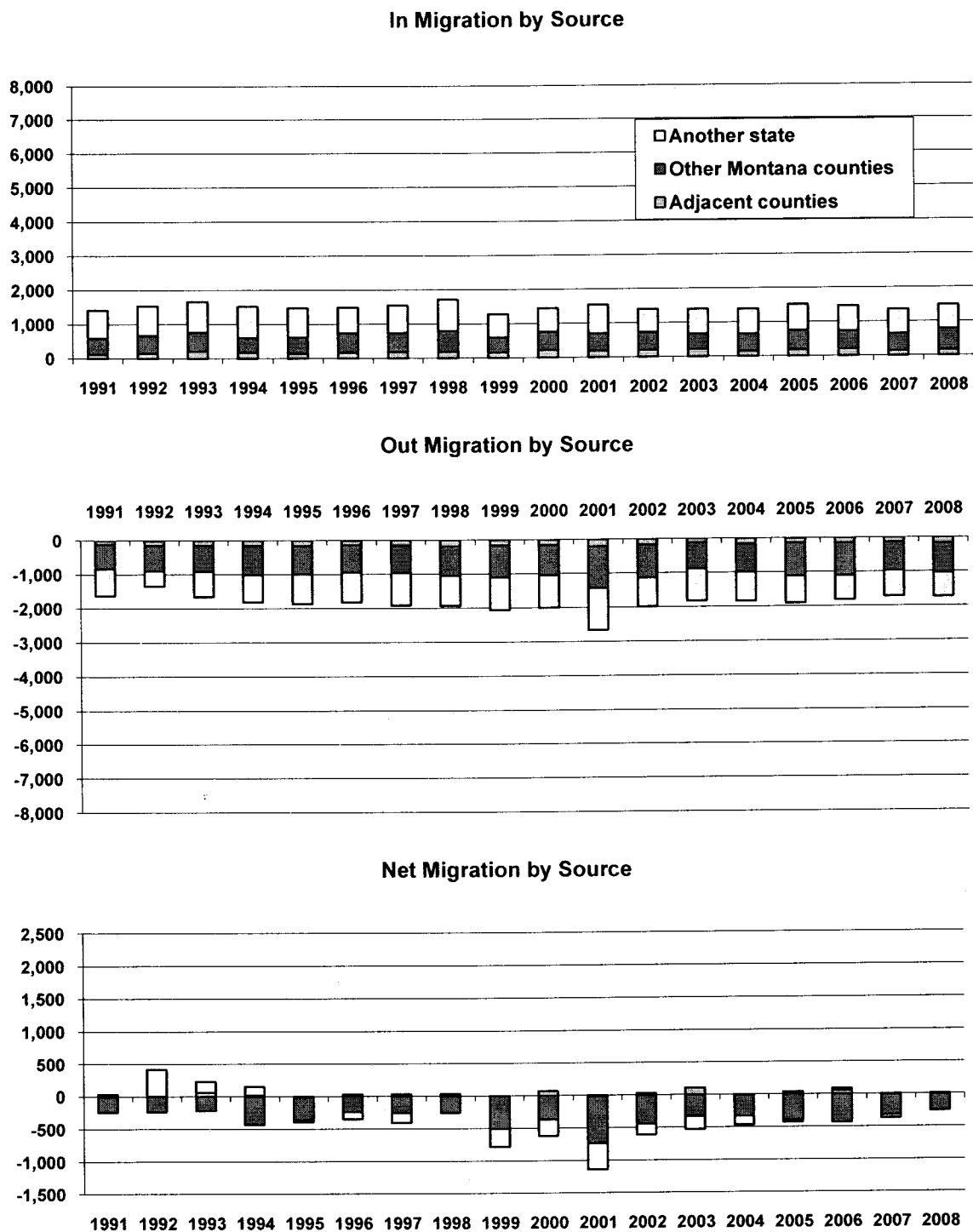
Source: US Census Bureau.

**Figure 7.2: Components of Population Change, Butte-Silver Bow County, 1991-2007**



Source: US Census Bureau.

Figure 7.3: Number of Personal Exemptions, Butte-Silver Bow County, 1991-2008

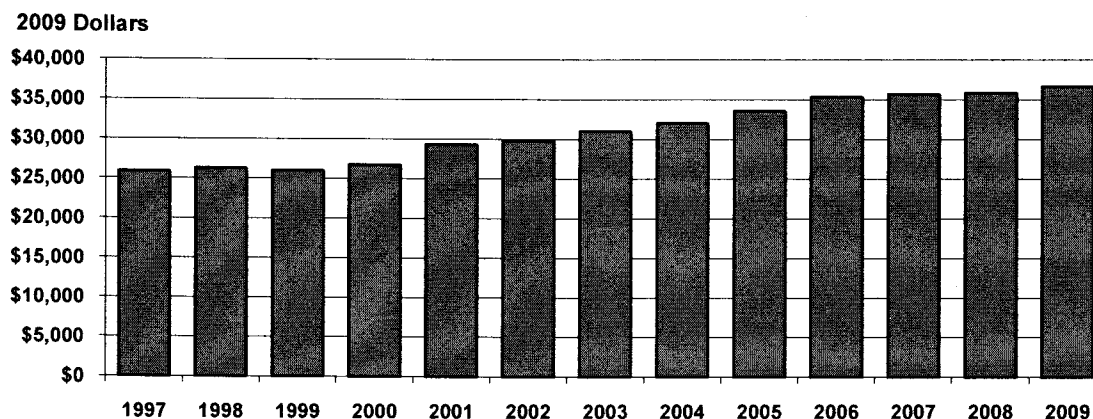


Source: Internal Revenue Service.

## Butte-Silver Bow County Real Estate

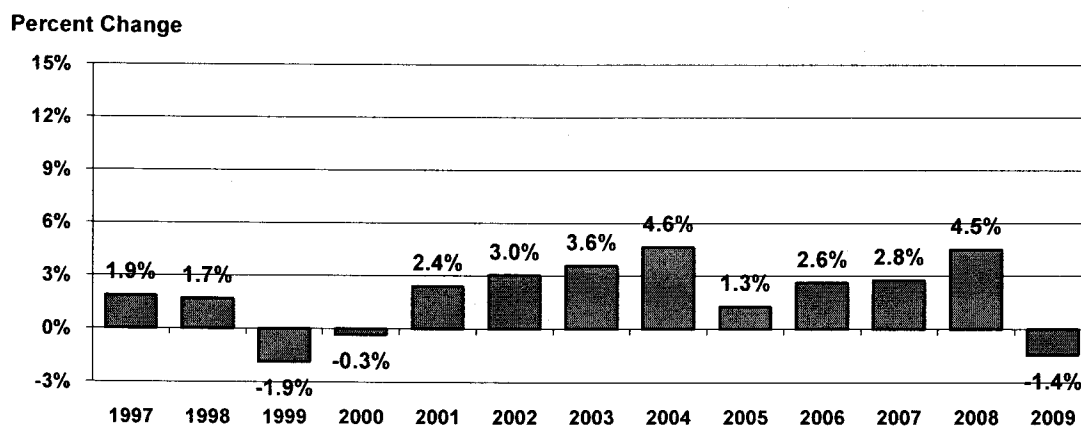
Per capita income is the average income for every person in an area. It grew from 2000 to 2007 but recently declined. Growth in nonfarm labor income was in positive territory throughout the last decade until 2009 when labor income growth was a negative 1.4 percent.

**Figure 7.4: Per Capita Income, Butte-Silver Bow County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 7.5: Change in Nonfarm Labor Income, Butte-Silver Bow County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Building in Butte-Silver Bow County remains fairly steady. A decline in construction activity did occur in 2009.

**Table 7.1: Building Permits, Butte-Silver Bow County**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	30	2	32	64
2002	21	0	0	21
2003	35	2	0	37
2004	65	8	0	74
2005	62	2	3	67
2006	60	0	0	60
2007	66	0	24	90
2008	71	0	0	71
2009	49	0	8	57

Source: US Census Bureau, Construction Statistics.

## Current State of Butte-Silver Bow County's Housing Market

Home sales in Butte peaked in 2005. The median price increased from \$61,500 in 2004 to \$98,000 in 2008 but declined slightly in 2009. Days on market remains high at nearly 150 days

**Table 7.2: Residential Home Sales, Butte-Silver Bow County**

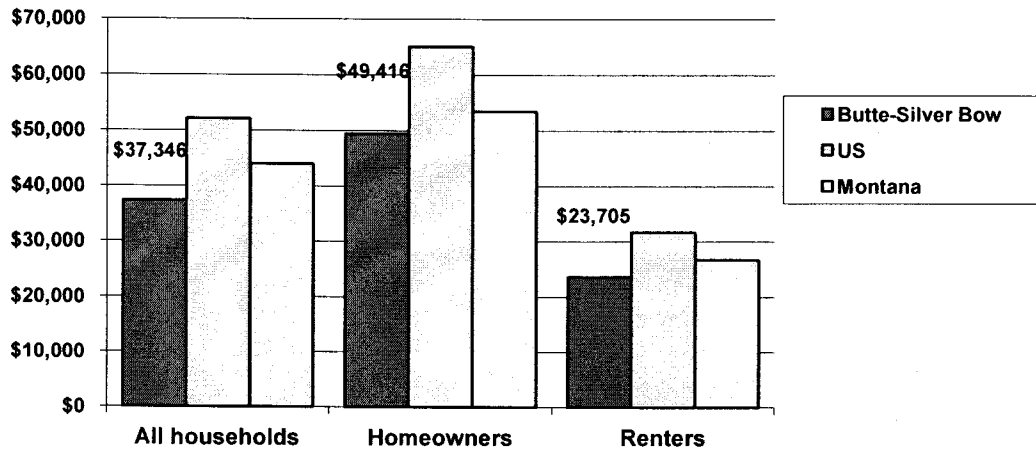
Year	Residential Sales	Median Price	Percent Change	DOM
2004	721	\$61,500		189
2005	929	64,450	4.8%	163
2006	918	72,000	11.7%	155
2007	842	78,050	8.4%	133
2008	573	98,000	25.6%	146
2009	465	94,500	-3.6%	149

Source: Butte Board of REALTORS®

## Housing Affordability Scorecard

The median income for Butte-Silver Bow County households is less than the statewide number. About half of families in Butte make between 40 and 100 thousand dollars. About 15 percent of Butte households live under the Federal Poverty Level.

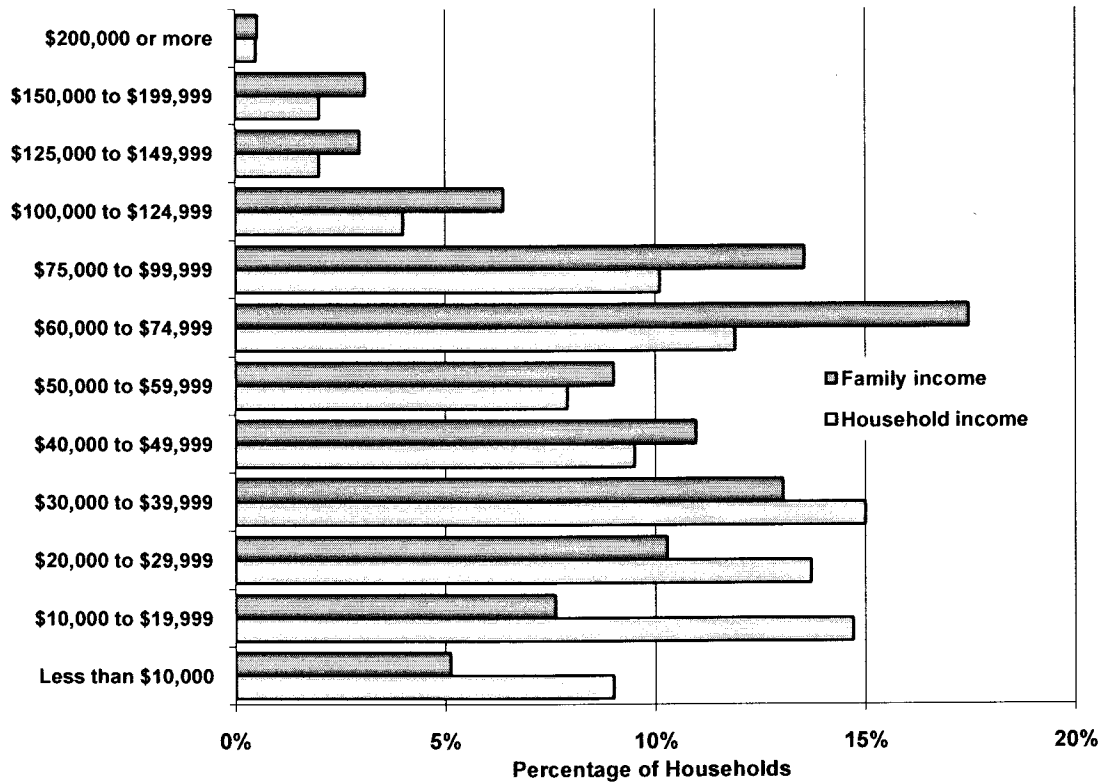
**Figure 7.6: Median Household Income, Butte-Silver Bow County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

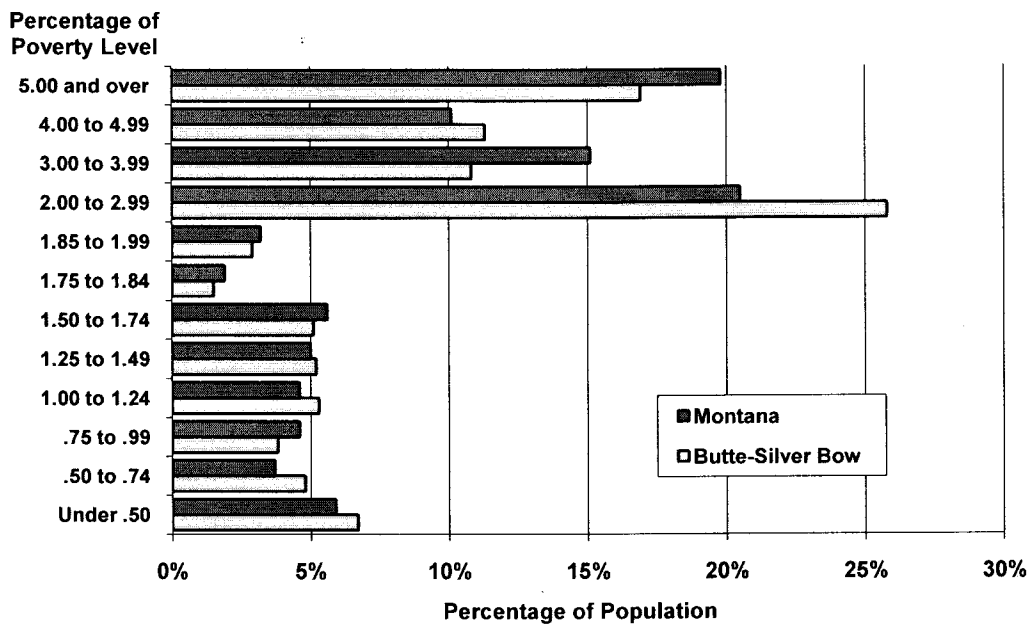
## Butte-Silver Bow County Real Estate

**Figure 7.7: Income Distribution, Butte-Silver Bow County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

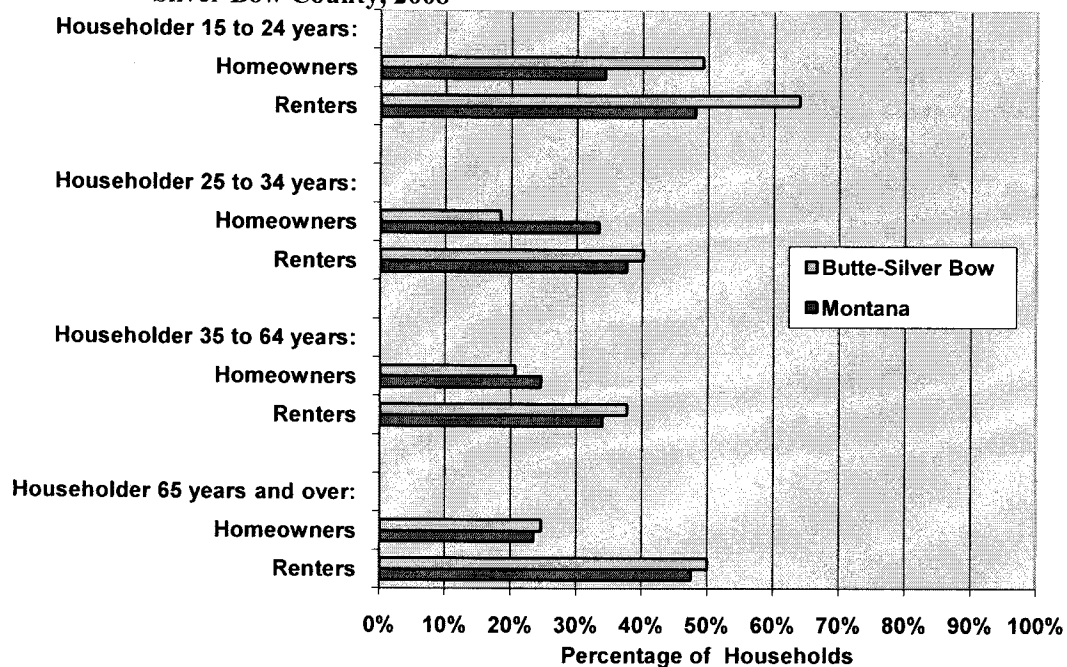
**Figure 7.8: Income as a Ratio of Poverty Level, Butte-Silver Bow County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.



**Figure 7.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Butte-Silver Bow County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

Most Butte homeowners spend less than 25 percent of their income on housing. Renters spend more than 30 percent of their income on housing.

## Butte-Silver Bow Regulatory Fees

**Table 7.4: Butte-Silver Bow Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		
Zoning fees		
Zone map amendment		
Zone text amendment		
Subdivision fees	1,250	50
Pre-application review		
Preliminary Plat 25 lots	750	
Final Plat Filing Review	500	
Variance from subdivision standards		
Vacation of recorded plats		
Plat extension		
Improvements agreement		
Plat amendments		
Impact fees		
Street		
Fire		
Water		
Sewer		
Permits		
Building		
Plan review		
Mechanical		
Electrical		
Plumbing		

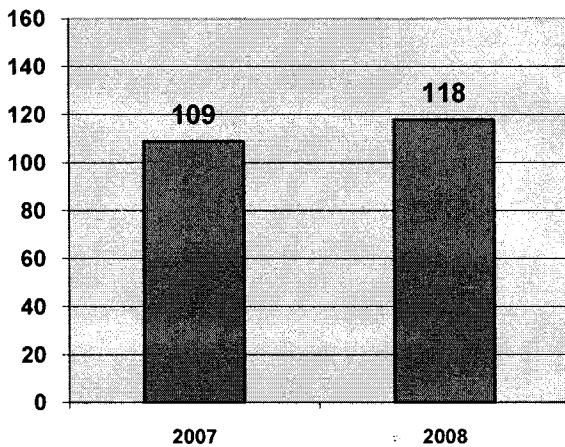
**Yellowstone County  
Real Estate**

## Yellowstone County At A Glance

The energy/natural resources freefall that appeared imminent last year luckily failed to materialize. Even so, the Billings economy did not escape recession impacts. Real estate and construction began to nosedive in mid-2008, and the downward slide accelerated in 2009. During early 2009, declines also appeared in retail trade, wholesale trade (including farm implements), finance, transportation, warehousing, and certain sectors of manufacturing. So far, employment and earnings in the vital oil refining sector remain stable or even slightly increasing. The slow rates of growth forecast by BBER for 2010 and later reflect continued weak conditions in construction and real estate plus increased competition from retail and service establishments in second order trade centers such as Bozeman and Miles City.

Housing affordability in Yellowstone County as measured by the Housing Affordability Index was slightly more affordable in 2008 than 2007. Yellowstone County is one of the more affordable major real estate markets in Montana.

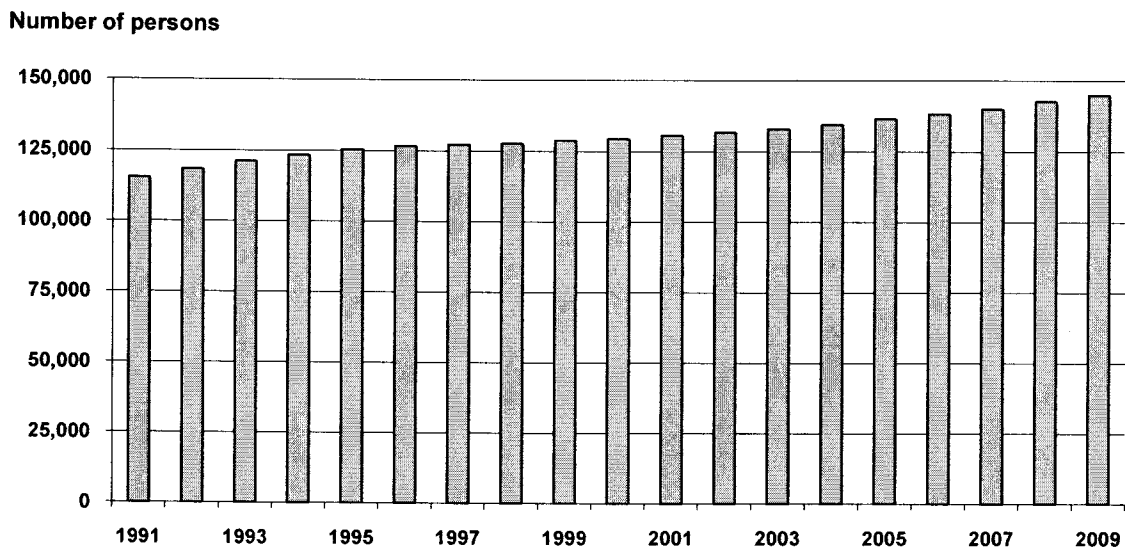
**Figure 8.0: Housing Affordability Index, Yellowstone County, 2007 and 2008**



## Factors Driving Demand for Housing in Yellowstone County

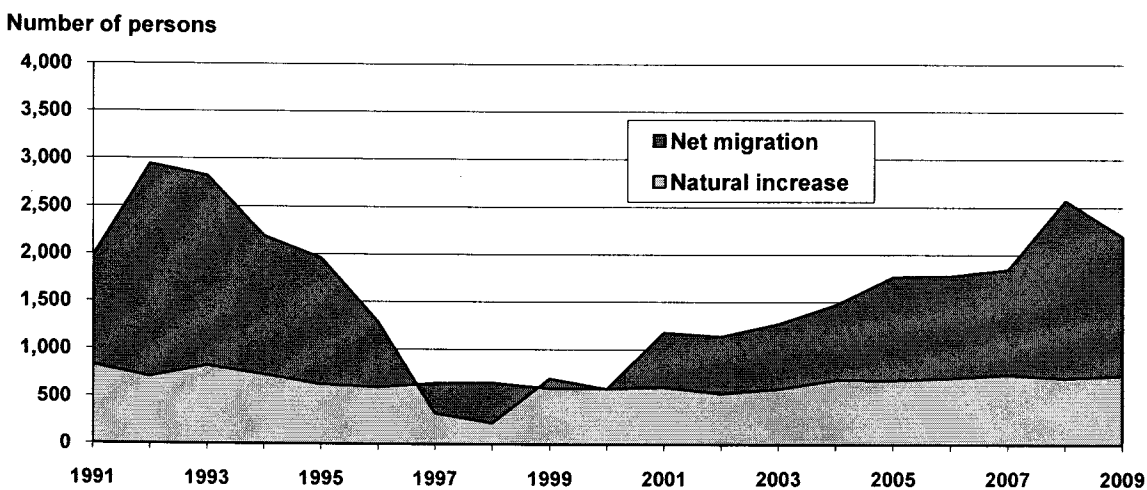
Yellowstone County continues to grow in population. Growth is driven by about 1,000 more persons moving into Yellowstone County than move out. About 5,500 persons move out and 6,500 move in annually. In 2008, new Montana residents were about equal to migrants from other Montana counties.

**Figure 8.1: Total Population, Yellowstone County; 1991-2009**



Source: US Census Bureau.

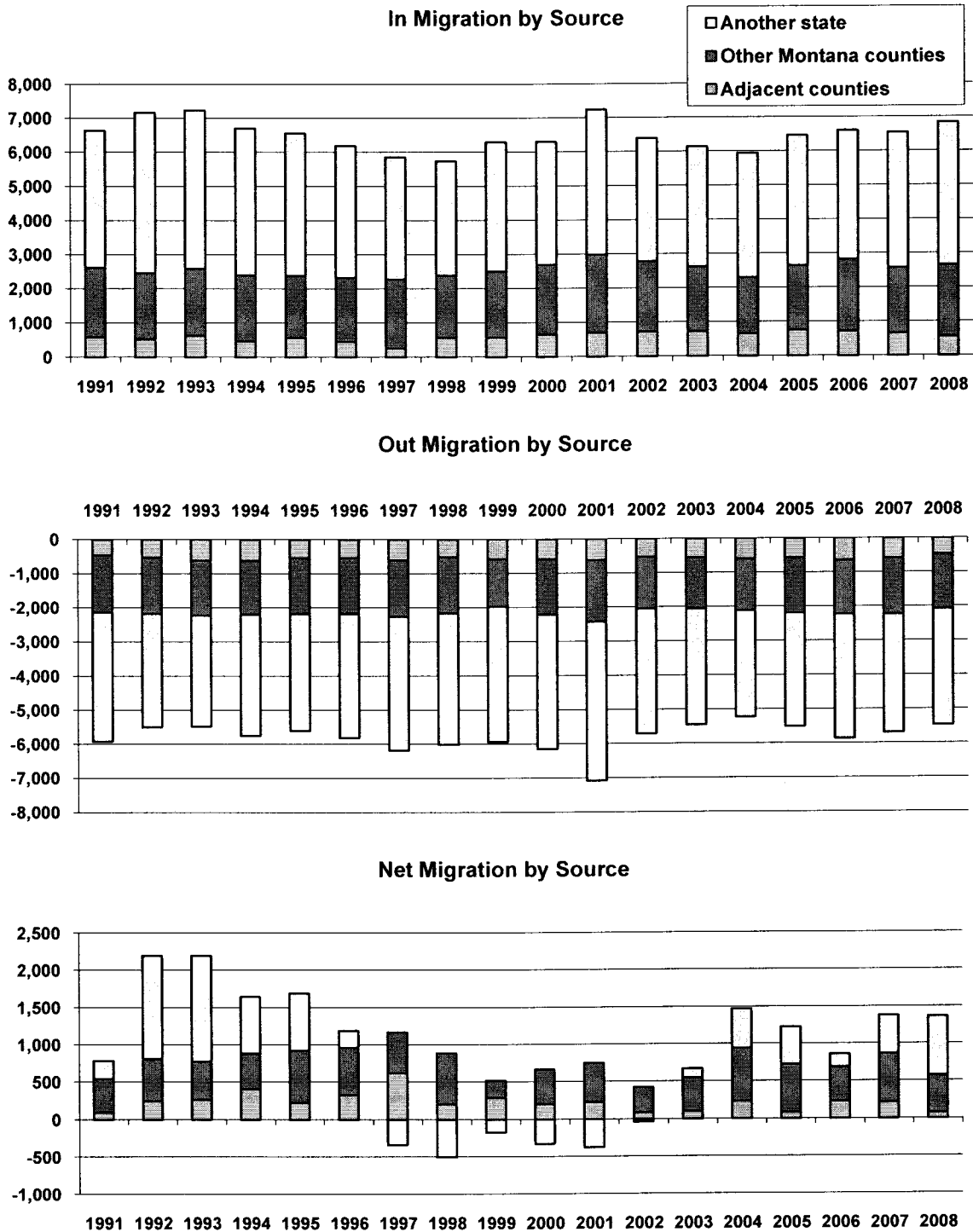
**Figure 8.2: Components of Population Change, Yellowstone County, 1991-2009**



Source: US Census Bureau.

# Yellowstone County Real Estate

**Figure 8.3: Number of Personal Exemptions, Yellowstone County, 1991-2008**

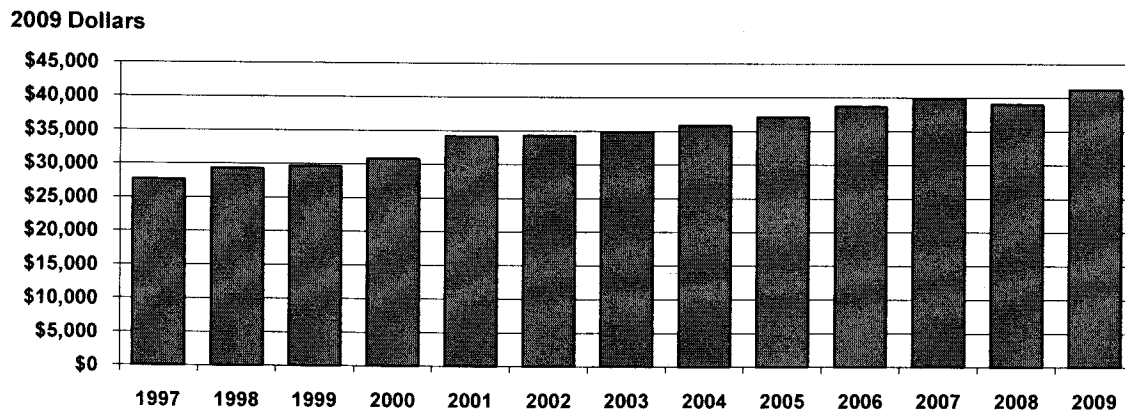


Source: Internal Revenue Service.

## Yellowstone County Real Estate

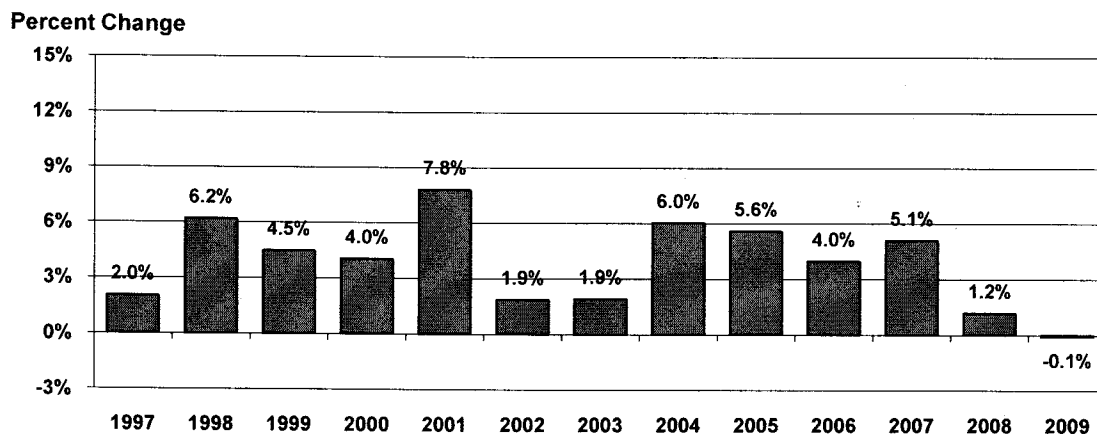
Per capita income is the average income for every person in an area. It increased 18 percent between 2000 and 2007. Per capita income has changed little since 2007. Nonfarm labor income measures how an economy is doing. Nonfarm labor income grew between 4 and 6 percent per year through 2007. Growth slowed dramatically in 2008.

**Figure 8.4: Per Capita Income, Yellowstone County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 8.5: Change in Nonfarm Labor Income, Yellowstone County, 1997-2009**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Building permits for Billings peaked in 2003 with about a third of residential construction devoted to multi-family units. Single family home construction has remained relatively constant. The outlying areas of Yellowstone County grew at a similar pace but declined sharply in 2009.

**Table 8.1: Building Permits, Yellowstone County Permitting Areas**

**City of Billings Building Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	530	0	4	534
2002	568	8	110	686
2003	646	6	198	850
2004	587	0	282	869
2005	516	0	57	573
2006	603	6	32	641
2007	604	0	0	604
2008	519	0	0	519
2009	438	2	65	505

**Rest of Yellowstone County Electric Permits**

	Number of Units			Total
	Single family	Duplex	Multifamily	
2001	131	2	0	133
2002	102	4	0	106
2003	188	2	9	199
2004	274	0	0	274
2005	280	2	4	286
2006	230	2	0	232
2007	240	8	4	252
2008	236	8	0	244
2009	152	0	0	152

Source: US Census Bureau, Construction Statistics and Montana Department of Labor and Industry.



## Current State of Yellowstone County's Housing Market

The number of sales of residential properties in Yellowstone County has remained relatively stable during the last three years.

**Table 8.2: Residential Home Sales, Yellowstone County**

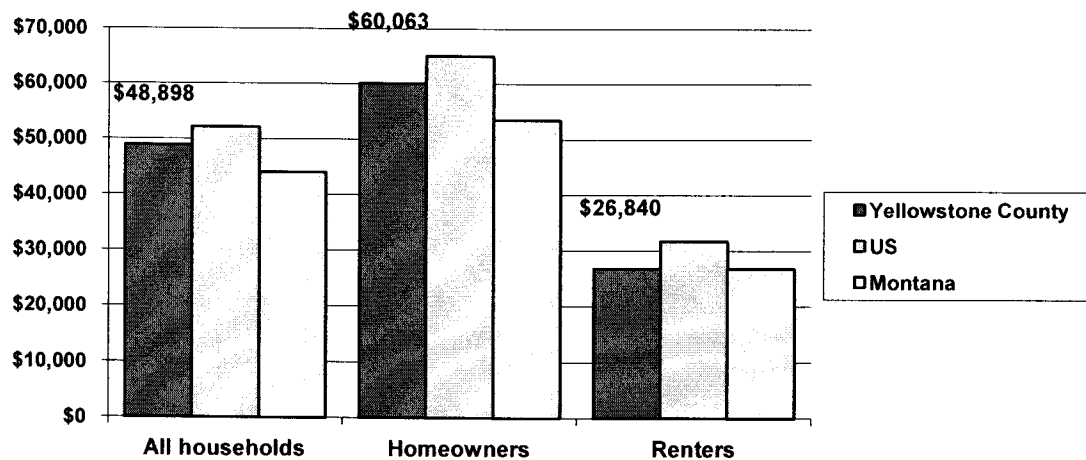
Year	Residential Sales	Median Price	Percent Change	DOM
2002	1,841			
2003	2,057			59
2004	2,063			53
2005	2,277	158,900		57
2006	2,345	164,900	3.8%	56
2007	2,261	175,100	6.2%	60
2008	1,920	179,900	2.7%	67
2009	2,159	176,000	-2.2%	70

Source: Billings Association of REALTORS.

## Housing Affordability Scorecard

The median income for Yellowstone County household is slightly higher than the statewide number but below the national median household median income.

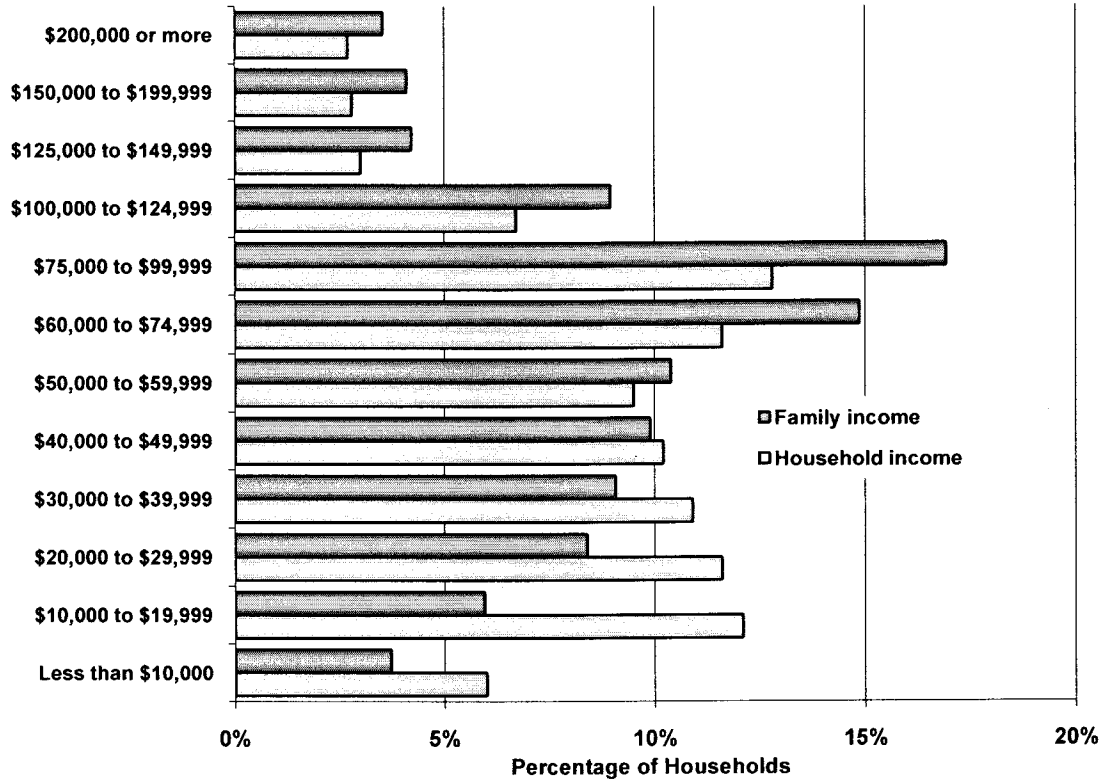
**Figure 8.6: Median Household Income, Yellowstone County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

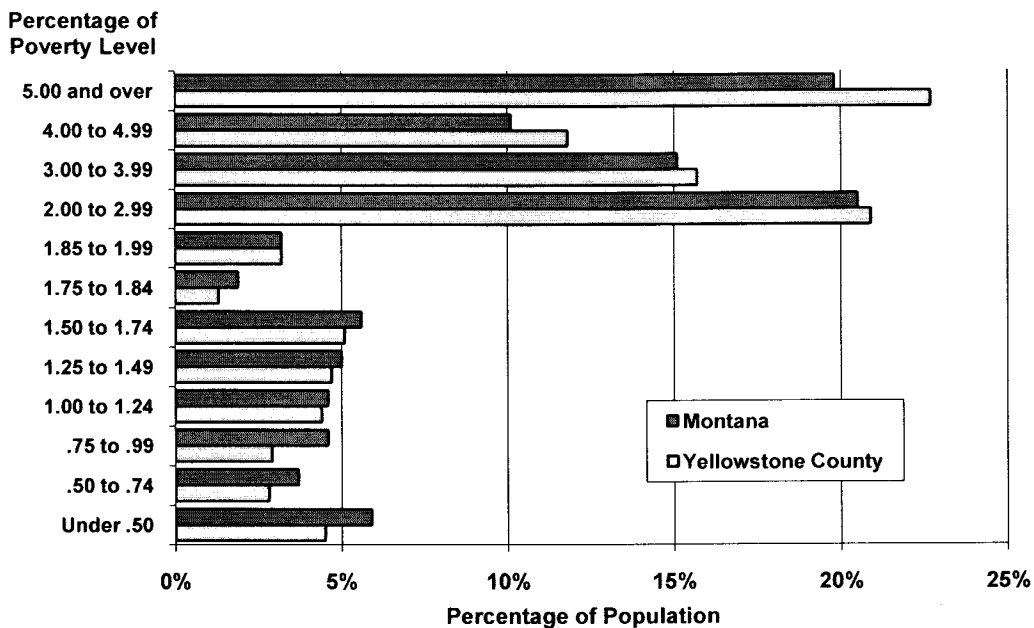
Household and family incomes are distributed in an orderly manner with about 16 percent of households having an income of \$75,000-\$99,999. Just over 11 percent of Yellowstone County households have an income below the poverty level. A majority of county households have incomes more than two times the Federal Poverty Level.

**Figure 8.7: Income Distribution, Yellowstone County, 2008**



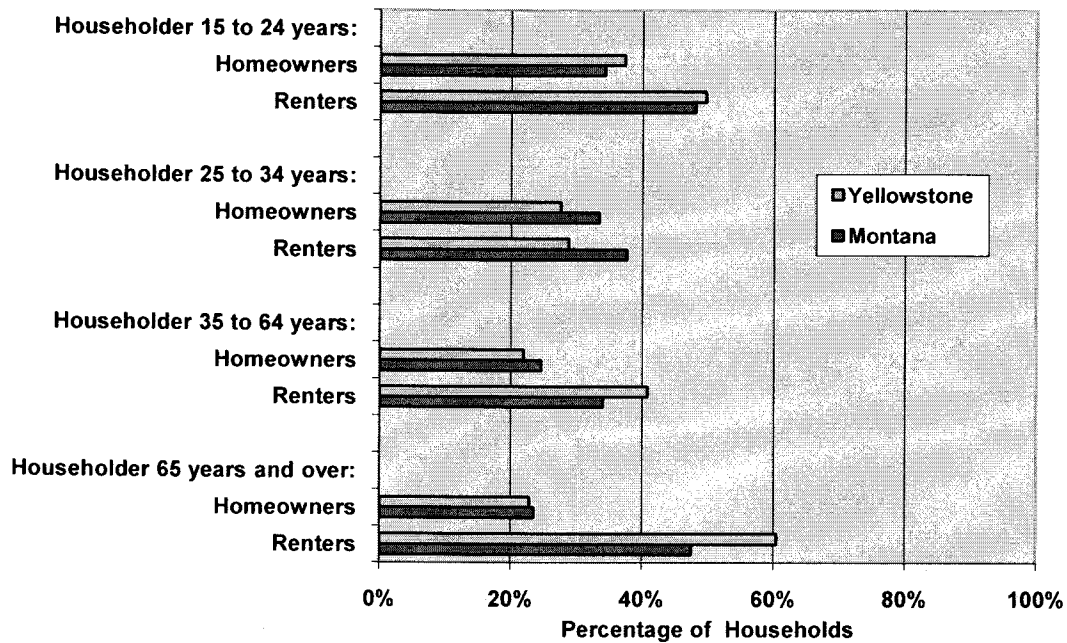
Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 8.8: Income as a Ratio of Poverty Level, Yellowstone County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

**Figure 8.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Yellowstone County, 2008**



Source: U.S. Census Bureau, American Community Survey, 2006-2008.

Most Yellowstone households spend less than 30 percent of their income on housing. About 60 percent of elderly households that rent spend more than 30 percent of their income on housing.

## Billings Regulatory Fees

Regulatory fees for a new 25 lot subdivision of affordable housing cost about \$5,400 per unit. Nearly \$4,300 is impact fees for water and sewer.

**Table 8.4: Billings Regulatory Fees**

	<u>Cost Total</u>	<u>Per lot</u>
Total		\$5,397
Zoning fees	\$1,320	53
Zone map amendment		
Zone text amendment		
Subdivision fees	2,868	115
Pre-application review	200	
Preliminary Plat 25 lots	1,650	
Final Plat Filing Review	440	
Variance from subdivision standards	358	
Vacation of recorded plats	220	
Plat extension	0	
Improvements agreement		
Plat amendments	1,100	
Impact fees		4,282
Street		
Fire		
Water		2,504
Sewer		1,778
Permits		947
Building		639
Plan review		
Mechanical		33
Electrical		130
Plumbing		125